Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.800	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.80	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs25	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr15	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.800	Singapore	S$4.10
Finland	FM9.50	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh19	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira35	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday September 20 1991

D 8523A

PERU
Lima wins a vital development credit
Page 4

World News

US initiative upsets both Israel and Palestinians

US secretary of state James Baker issued a strong appeal to Palestinians to attend a planned Middle East peace conference as both the Palestinian and Israeli camps signalled growing disaffection with the US initiative. Page 14

Hijack airliner safe
An Alitalia jet with 137 people aboard landed safely at its Tunis destination after being hijacked over Sardinia on a flight from Rome. All the passengers were freed and the hijacker arrested. Page 4

UN go-ahead for Iraq
The UN Security Council approved a plan permitting Iraq to sell up to $1.6bn worth of oil and oil products to pay for necessary food and medicines and open a reparations fund. Page 14; Lavish programme, page 4

Single currency urged
The European Round Table of industrialists, representing 45 of Europe's largest companies with a total turnover of Ecu500bn ($604bn), appealed for the urgent completion of the single European market and rapid progress towards a single currency. Page 14

Bakhtiar suspects held
French police were questioning at least four people in connection with the assassination last month of former Iranian premier Shahpour Bakhtiar.

Emergency landing
One engine on a Northwest Airlines Boeing 747 carrying 294 passengers caught fire after it made an emergency Tokyo landing. Several people were hurt scrambling clear.

IRA murders director
The director of one of Northern Ireland's biggest timber importers was shot dead in Belfast. The Irish Republican Army said his company supplied security bases.

Oil workers drown
Fourteen Nigerian contract workers with Chevron Oil were drowned in the Escravos river area of the country when their canoe capsized. The accident led to worker protests.

Farmers attack trucks
Hundreds of Belgian farmers clashed with police after attacking trucks at an abattoir and shunting dozens of cattle into the streets at Mouscron near the French border. Farmers claimed the cattle came from eastern Europe.

Texas execution
James "Sugarman" Russell, 42, was executed by injection at Huntsville, Texas, for the murder of a manager who was to give evidence against him at a robbery trial.

Laos bans logging
Laos has banned logging, one of the poor Indochinese nation's biggest industries, until controls are established to stop its forests from shrinking beyond rescue.

Royal staff complain
Staff at the Danish Court have complained to the European Commission of Human Rights in Strasbourg because Queen Margrethe will not give them a formal pay agreement.

Business Summary

Rescue move forced on Finland's savings bank

Skopbank, Finland's savings bank, came under the indirect control of the central bank in the first such rescue in Finnish history.

The action was forced by growing anxiety over Skopbank's deteriorating finances. It is to be reconstructed to uphold its international capital reserve requirements and new shareholders will be sought. Page 14

GUINNESS, international spirits and brewing group, reported a 9 per cent increase in first-half pre-tax profits to £350m ($591m) despite very difficult trading conditions. Page 19; Lex, Page 14; LVMH and Guinness, Page 15

LVMH, French drinks and luxury goods group, announced a slight fall in first-half profits to FFr1.21bn ($211m) from FFr1.24bn in the same period of 1990, but said a strong sales recovery was under way. Page 16

NIPPON TELEGRAPH and Telephone and Kokusai Denshin Denwa, Japan's leading telecommunications companies, will become up to 20 per cent foreign-owned if the Japanese government accepts the recommendation of its Telecommunications Council. Page 18

MOODY'S, US credit rating agency, has placed the long-term debt ratings of Japan's Big Four brokerages – Nomura, Daiwa, Nikko and Yamaichi – under review for possible downgrades. Page 20

RENOWN, Japan's biggest clothing company, revised a prediction of after-tax profits of Y1.7bn ($12.7m) to losses of Y2.2bn because of losses at Aquascutum, the fashion retailer which it acquired in August 1990. Page 17

FEDERAL EXPRESS, Memphis-based delivery company, posted after-tax profits down more than half at $17.2m for the quarter to August. Operating profits slumped from $129.2m to $80.3m. Sales stood at $1.83bn, against $1.92bn in the first quarter of the financial year. Page 17

RMC, the world's biggest ready-mix concrete producer, saw its share price fall 23p to 685p after the UK group announced a 36 per cent fall in first-half pre-tax profits to £69.9m and warned that profits were unlikely to recover greatly next year. Page 16, Lex, Page 14

CS HOLDING, parent company of the Crédit Suisse banking and industrial group, reported a 77 per cent improvement to SFr602m ($400m) in its net consolidated earnings during the first half. Page 15

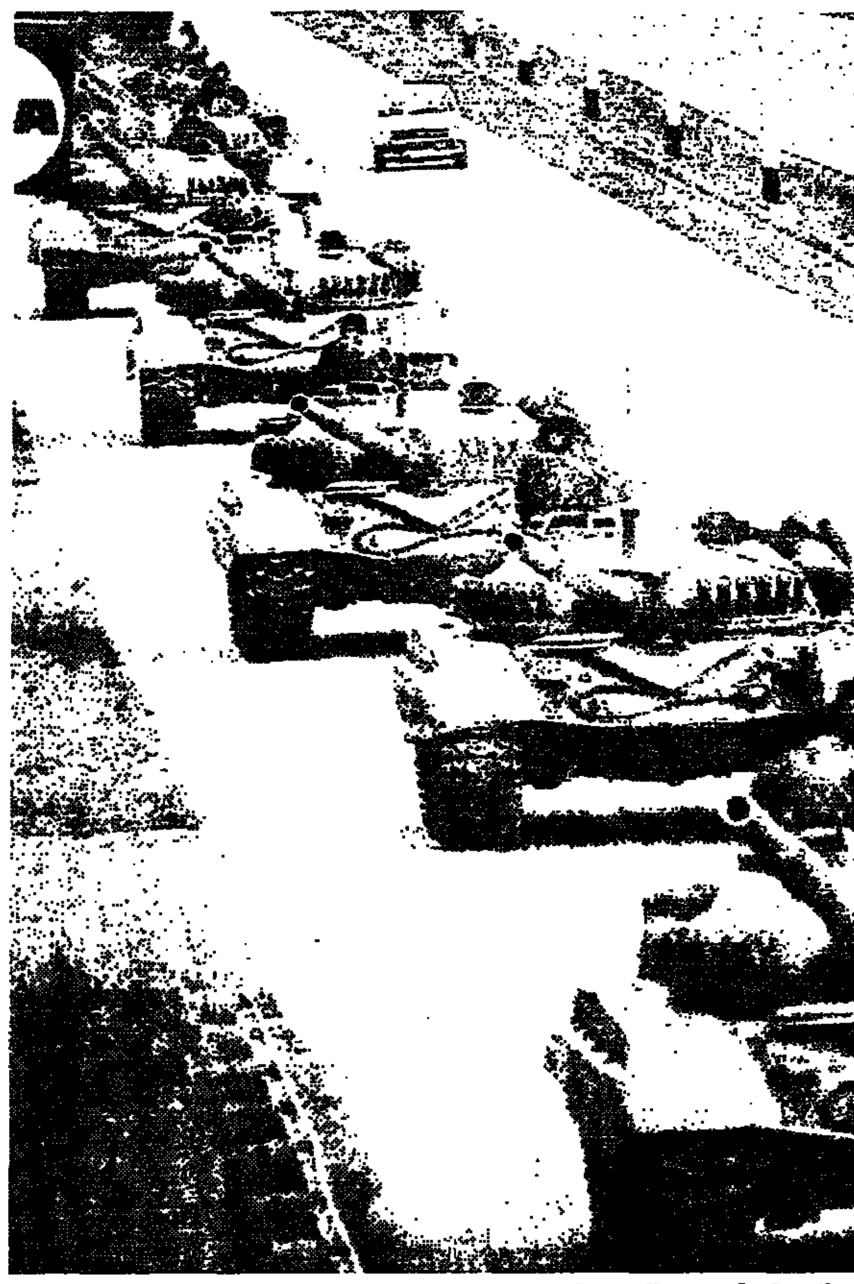
OPEC, oil exporters' body, which meets next week in Geneva, has a chance to reach price targets for the first time since the Gulf war or to boost production as world demand in the fourth quarter is expected almost to catch up with supply. Page 30

URUGUAY ROUND trade talks in Geneva received a proposal from the Nordic countries for the liberalisation of maritime transport which could lead to the completion of an international agreement on services. Page 6

Yugoslav fighting flares again as federal tanks head out from Belgrade

Army moves on Croatia as EC adjourns talks

By Laura Silber in Belgrade, Judy Dempsey in Zagreb, David Gardner and Ronald van de Krol in the Hague


Fresh offensive: Yugoslav tanks and personnel carriers roll towards Croatia

THE Yugoslav army was last night preparing for a new military offensive against Croatia as European Community peace talks in The Hague were put on hold for a week in the hope that the warring factions would implement the ceasefire signed on Tuesday.

Hundreds of tanks, armoured personnel carriers, trucks and heavy equipment rolled through Belgrade yesterday and headed towards Croatia, cheered on by hundreds of Serbian bystanders.

Earlier, the Serb-dominated federal army ordered a mass mobilisation in the northern Serbian province of Vojvodina, parts of central Serbia and in Montenegro, a close ally of Serbia. Hundreds of men of military age went into hiding after night visits by military police to round up reservists.

The new military deployment came as the UK blocked an early move to send a European Community peacekeeping force to Yugoslavia. But after talks in The Hague, a compromise looked near whereby the Western European Union, the defence grouping of nine EC member states, would study whether and how a peacekeeping force could be used to complement EC monitors. EC foreign ministers had met to discuss a Dutch proposal to send a peacekeeping force under the aegis of the WEU.

Pressure on federal army........................Page 2

Earlier, at a meeting in The Hague of the foreign ministers of the six Yugoslav republics, chaired by Britain's Lord Carrington, Serbia categorically rejected any suggestion of sending such a European force.

"To send troops into a country without its agreement, that's not a peacekeeping force, that's an invasion", said Mr Vladimir Jovanovic, Serbia's foreign minister. "We are not prepared to compromise."

Mr Zvonimir Separovic, Croatia's foreign minister, said: "There will be no further conference until there is an effective ceasefire."

The ceasefire was supposed to have gone into effect on Wednesday, but the Yugoslav news agency Tanjug said hand-to-hand fighting had again erupted in Gospic in southern Croatia. It said the Yugoslav army, backed by air force jets, was involved in heavy fighting with Croatian forces for control of a bridge in the southern port of Sibenik. Fighting also broke out in central and eastern Croatia.

After being outgunned for weeks, the Croatian forces have confiscated weapons from besieged federal barracks and stepped up their own attacks on Yugoslav forces. The Croatian government claimed another victory against the federal army after the republic's national guard forced the surrender of a military barracks in Varazdin, north of Zagreb.

Croatian officials in Zagreb said the federal army was planning retaliation after a string of offensives by Croatia's defence forces.

The EC foreign ministers, meeting after Lord Carrington's abortive attempts to mediate between the Yugoslav republics, were later due to consult with WEU defence ministers on the proposal to send a peacekeeping force.

Ahead of the WEU meeting, the ministers considered a UK call for tighter sanctions against Yugoslavia, including a total ban on oil shipments.

Mr Douglas Hurd, UK foreign secretary, insisted that the EC could not launch into a military effort simply because its political and diplomatic

Continued on Page 14

Zagreb waits stoically for war or peace

By Judy Dempsey in Zagreb

WHEN the bells tolled six o'clock yesterday evening, Zarko Boljkovac called it a day. It is early for Zarko to be going home. In these warm evenings, the last of the long, hot summer months, Zarko should be driving tourists around the city in his privately owned chauffeur service.

The tourists are long gone. If any were left in Zagreb yesterday the news that a massive federal army convoy had left Belgrade in the direction of Croatia will have sent them scurrying home.

Last summer Zarko was earning about $1,000 a month. This year, he is seriously thinking of packing it in. He can no longer make ends meet.

"This war, or whatever you want to call it, is crippling my business," he explained. His car was parked up against a stack of sandbags used to block out access to the capital's coal cellars.

"There are no tourists. Only you lot. The journalists. And I don't want to drive any of you into danger zones," he added.

Like many other car owners in Zagreb, Zarko has masked the headlights of his Mercedes with brown tape. Once darkness descends on this dusty, but beautiful capital, a blackout is in force just in case federal army jets strike at the city's main targets.

This is the time of year when the schools and universities are due to reopen. Some of Zarko's friends have refused to send their children back to school. Husbands living in trouble spots in eastern and southern Croatia have sent their wives and children to neighbouring Hungary, or up to relatives in Austria.

Marko used to live in Osijek, one of the main cities in Slavonia, eastern Croatia. Two weeks ago, he fled the city after the federal army started to bombard it. "There are limits to my patriotism and courage. I do not want to fight. I want my family to live in peace."

Tension in Croatia's capital is often difficult to sense. During the day, the shops in Zagreb are open. The blue-and-white trams, painted in the republic's colours, lurch through the narrow streets. Food supplies are regular. Petrol is available.

At Radicev Square, the presidential and government headquarters, the republic's recently revived praetorian guard, decked out in heavily ornate scarlet uniforms, offset by shiny leather boots, stand over President Franjo Tudjman's office.

A few yards away, camouflaged, and heavily armed soldiers guard the government buildings. Plainclothes security personnel talk into two-way radios. Everybody needs a special pass to enter the government offices.

The citizens of Zagreb are philosophical about the possibility of a battle with federal forces. Zorica, a secretary in a government office, said: "I'm not worried. We have seized army barracks over the past few days. And about time. We can stand up to the army. But I do not think Europe will help us," she said. Her companion, a 23-year-old cameraman, was less confident. "I am afraid. If the army is heading towards Zagreb, I will have to fight."

Darko, a pensioner, said he would not be surprised if the army attacked Zagreb. "Maybe we are looking at a once mighty communist machine in its last throes. I do not think the Croatian government can defend Zagreb. Anything can happen."

Pioneering eye surgeon is invited to be Russian PM

By John Lloyd in Moscow

THE pioneering eye surgeon who has become one of the Soviet Union's dollar millionaires, has been invited to be the next Russian prime minister.

Mr Svyatoslav Fedorov, 64, confirmed yesterday that he had been invited by Mr Boris Yeltsin, the Russian president, to form a new government, subject to the agreement of Mr Mikhail Gorbachev, the Soviet president.

However, Mr Fedorov, an early advertisement for perestroika because of his skill, his production-line surgery methods and his high earning ability, has given Mr Yeltsin a list of conditions – including having one day a week to perform operations at his eye hospital on the outskirts of Moscow.

Speaking at his clinic, Mr Fedorov, a long-time advocate of rapid reform and privatisation, described the programme he had put to Mr Yeltsin.

"I must be able to make Russia into a normal capitalist country," he said.

"We will have to have free prices, we will have to sell land – that is the most important thing – and we must make a financial system which works.

Instability looms.......Page 2
Joint ventures.........Page 12
Observer..................Page 12

"At present, we have democracy in politics and Stalinism in economics. I said that I will want to appoint a new cabinet, and that I will cut out both ministries which are in charge of producing and keep only those which are required for health and social security, and for foreign and internal affairs.

"The bureaucracy must be shrunk to 10 per cent of what it is now," he said.

Mr Fedorov, whose wealth has come not only from his eye clinic but also the luxury hotel which he has opened next to it, said businessmen must be free to make deals in the same way he had done, bringing in foreign capital.

A recent deal with a Californian company to make contact lenses, he said, had given the US company 60 per cent and him 40 per cent.

Mr Fedorov was elected as a deputy to the Soviet Congress of Peoples Deputies on the Communist party list. He is also member of the Supreme Soviet's Committee on Economic Reform.

However, he has not yet clinched the job of prime minister.

Mr Yeltsin has in the past offered high positions to a number of contenders at the same time – and thus other candidates for the premiership, including Mr Oleg Lobov, the first deputy prime minister, may still be in the ring.

The disclosure of the offer follows Mr Ivan Silayev's resignation from the premiership. Mr Silayev said on Wednesday that he had decided to concentrate on his other post, as chairman of the Committee for the Management of the National Economy, which acts as the Soviet government.

Weekend FT
Tomorrow: Broken dreams: the British illusion of ever-rising property prices is shattered. Four pages on the future of the market in the UK and abroad

CONTENTS

Gonzalez hopes his King card will trump the opposition

Spanish prime minister Felipe Gonzalez brings much the same strategies to politics that the Viet Cong did to guerrilla warfare – when under fire, burrow down, then pop up when the enemy is tiring. Now his weapon is the King card

Page 3

MARKETS

STERLING
New York lunchtime:
$1.7285
London:
$1.7285 (1.7315)
DM2.92 (2.9125)
FFr9.9475 (9.9175)
SFr2.555 (2.5425)
Y232.5 (232.25)
£ Index 91.0 (90.9)

GOLD
New York: Comex Dec
$352.0 (352.3)
London:
$348.85 (347.8)

N SEA OIL (Argus)
Brent NOV
$20.325 (-0.10)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.689
FFr5.754
SFr1.4768
Y134.42
London:
DM1.689 (1.6815)
FFr5.755 (5.7275)
SFr1.478 (1.4685)
Y134.45 (134.2)
$ Index 65.1 (65.0)
Tokyo close: 134.4

US LUNCHTIME RATES
Fed Funds: 5⅜%
3-mo Treasury Bills: 5.326%
Long Bond: 102⅗
yield: 7.91%

STOCK INDICES
FT-SE 100:
2,588.7 (+5.1)
FT Ordinary:
2,011.3 (+4.2)
FT-A All-Share:
1,253.48 (+0.1%)
New York lunchtime:
DJ Ind. Av.
3,038.46 (+20.57)
S&P Comp
389.05 (+2.11)
Tokyo: Nikkei
23,332.31 (+14.53)

LONDON MONEY
3-month interbank:
10¼% (10 7/32)
Liffe long gilt future:
Dec 97 (96¾)

EUROPEAN NEWS

Russian deputies warned of looming instability

By John Lloyd and Mark Nicholson in Moscow

THE Soviet and Russian power structures are sliding deeper into chaos, as political and economic leaders warned yesterday of instability, financial collapse and growing lawlessness.

Mr Boris Yeltsin, the Russian president, remained confined to bed with what was said to be a slight heart ailment. Meanwhile the acting chairman of the Russian parliament, Mr Ruslan Khasbulatov, warned deputies that failure to arrest a fall in living standards could prompt political dangers and even a second coup.

Russia, he said, had passed a crisis in its relations with other republics – but "you should not have any illusions or ignore the dangers of the union's disintegration".

He sought to head off criticism from deputies who queued up during the debate to attack Mr Yeltsin for strengthening his executive powers at the expense of the legislature, saying that "squabbling" in parliament could open the way to a second putsch.

He warned of forces threatening the fragile new structures. Mr Georgy Matiukhin, chairman of the Russian central bank, took up Mr Khasbulatov's theme when he accused the new Russian commercial banks of engaging in criminal activity, or acting as fronts for Communist party money "laundering".

Mr Matiukhin – himself under heavy criticism from business leaders, including commercial bank directors – said that now banks had to produce western style balance sheets and submit to examination by inspectors they were finding "criminal behaviour on a large scale, and some are involved in moving huge sums of money out of the country for the Communist party".

The sums involved, he said, ran into "billions of dollars". These structures were now very powerful, and were challenging the democratic forces for power. "If we do not regulate them, they will be able to choose governments from their own number," he said.

The alienation between the business class and the political leadership is now pronounced – with many business leaders joining the radical deputies in alleging that the Russian government is seeking to perpetuate the command system. The political leaders counter by saying that all their critics are members of criminal "mafia".

At the same time, the warnings of hard times in the immediate future grow more alarmist. Mr Oleg Lobov, the deputy Russian prime minister, told parliament that none of the emergency measures so far taken by his government had stabilised the economy. Reciting a string of figures of falling production, he said grain shortages alone would require Russia to import 20m tonnes of wheat.

He said a plunge in foreign trade had left Russia with only 20 per cent of the expected hard currency reserves, and that the country could pay for only 50 per cent of the food and other goods it needed this year.

Mr Evgany Petrayev, deputy minister of energy, said that "we have never been so unprepared for winter". At least 40 cities would suffer serious shortages of power and heat during the winter, he said.

Mr Sumio Edamura, Japanese ambassador to Moscow, said yesterday the dispute over the Kurile islands was a "great anachronism", writes Neil Buckley in Moscow.

"We must not leave it to future generations to settle territorial problems, our generation must sort them out," he said. Mr Edamura said recent events had established a new climate for negotiations, and believed it was possible to "take relations between the two countries onto a higher level."

Newly appointed Soviet prime minister Ivan Silayev, right, with Russia's deputy premier Oleg Lobov in the Russian parliament yesterday

Moscow asks west for $15bn food aid

By David Buchan in Brussels

MOSCOW is asking the west to provide finance – in grants or guaranteed credit – for all the $14.7bn of food it estimates the Soviet Union will need to buy abroad in 1991-2.

Mr Yuri Luzhkov, deputy head of the national economic committee that is in charge of the country, yesterday told EC officials that the $7bn food aid which Moscow is seeking from Brussels is only half the total wanted.

Mr Luzhkov, who went on to London to see Prime Minister John Major, chairman of the Group of Seven industrialised countries, said he hoped for national contributions, from EC and other western governments, amounting to a further $7.7bn in food aid.

Soviet food imports averaged about $8-9bn a year, the officials said, but in the coming year they would need to buy abroad $14.7bn of food, because of this summer's poorer harvest and of hoarding of stocks by farmers.

Moscow wants from the EC budget a straight grant of $2.16bn (Ecu1.8bn), a three year loan of $2.4bn (repayable after 18 months and backed 100 per cent by a guarantee on the EC budget and a medium/long-term loan (repayable after five years).

The EC has been struck by the contrast between the precision with which the Soviet authorities are laying out their financial requests, and the vagueness of detail surrounding the actual food situation in the Soviet republics. Mr Luzhkov promised that individual republics would have a direct say in any aid programme.

Brussels is sending a team of farm experts to the Soviet Union in the next few days. "Until we hear from these experts, we will not be taking a position on requests either from the Union, or cities like St Petersburg," the Commission said yesterday. St Petersburg, formerly Leningrad, has asked Brussels for 85,000 tonnes of food aid.

Moscow and Helsinki set to replace friendship treaty

By Enrique Tessieri in Helsinki

FINLAND and the Soviet Union are ready to scrap their 43-year-old FCMA (friendship, co-operation and mutual assistance) treaty and replace it with a new accord.

Mr Boris Pankin, Soviet foreign minister, and his Finnish counterpart, Mr Paavo Väyrynen, will meet in New York on Sunday for talks. They are expected to initiate a timetable for the antiquated FCMA treaty to be dismantled.

Mr Pankin threw his weight behind such efforts on Wednesday in Stockholm when he said the time was ripe to scrap those articles within the treaty which history had made obsolete.

He was referring to article one of the accord which obliges Finland to repel "an armed attack by Germany or any state allied with the latter", possibly with the military assistance of the Soviet Union.

The legal validity of the article was undermined last autumn, when Helsinki announced that the Paris peace treaty of 1947 was no longer binding following the unification of the two Germanys.

Dr Pekka Visuri, a Finnish security expert, believes a new friendship agreement with the Soviet Union will not end up being "a new FCMA treaty," but an accord which would be similar to those recently signed between the Soviet Union and western European countries, such as Germany and France.

Croatia pledges to keep up pressure on federal army

By Judy Dempsey in Zagreb

THE government of Croatia will continue to blockade federal army barracks on its territory until the army withdraws completely from the republic.

This strategy, outlined yesterday by Mr Mario Nobilo, foreign policy adviser to President Franjo Tudjman of Croatia, seeks to break the links between the army and Serb militants in Croatia.

The republics of Slovenia, Croatia and Bosnia-Hercegovina have repeatedly accused the federal army of backing Serbia, whose aim is to carve a greater Serbia out of the republic of Croatia.

Mr Nobilo said that until Croatia succeeds in expelling federal troops, and as long as there is war in Croatia, "we will have no peace conference."

Mr Nobilo has no doubts that this policy could provoke or humiliate the federal army into staging a fresh offensive. "But we are prepared to pay the price," he said.

He also believed that the federal army would not launch a full-scale attack on Zagreb. "The army will not do this because it could force the EC to organise, and send in a peace-keeping force. The army does not want this. I now think the federal army is looking for some honourable way out of this mess," said Mr Nobilo.

But yesterday Croatian radio reported fighting between federal troops and the republic's national guard at Vukovar, eastern Croatia, and at the western coastal port of Sibenik.

Croatia's policy also means that hopes by the European Community of implementing any lasting ceasefire appear more remote than ever. "If we respect the ceasefire, we would have to disarm, and withdraw our forces," commented Mr Nobilo. "But all the forces, the army, and Serb militants must withdraw too."

Mr Nobilo and his colleagues, now clearly in a more confident mood than a month ago, are determined to pursue this strategy. This confidence stems from the belief among officials in Zagreb that the federal army is rapidly disintegrating in Croatia.

"The federal army is losing soldiers and officers. These have to be replaced. The army has no chance of replenishing its ranks with reservists. Indeed, it is now calling up volunteers."

This new-found public confidence, aimed at boosting morale which was flagging just two weeks ago, is confirmed hourly on the state-controlled radio and television which reports fresh victories by the Croatian National Guard.

"We control 70 per cent of the military bases now," said Mr Nobilo. The federal army has more than 100 garrisons, barracks and other facilities scattered throughout the republic.

In Zagreb, the Croatian capital, the National Guard is blockading the two remaining barracks held by the federal army. "There are a couple of thousand men in there. We have given them a little water. We are trying to undermine the federal army in Croatia. We are succeeding," Mr Nobilo said.

The government in Zagreb says it will not discriminate against any federal soldiers who surrender. It also says it will let them free and honour their pensions. "We are adopting a policy of divide and rule," explained Mr Nobilo. "We will psychologically pressurise the army. We have more weapons," he added.

In the meantime, the Croatian government will continue to pursue its political goal of seeking international recognition of its independence.

Fresh Balkan conflict feared over Macedonia

By Kerin Hope in Athens

GREECE, prompted by fears of conflict along its northern border, has invited the leaders of Serbia, Bulgaria and Romania for talks in Athens on Yugoslavia's future.

While international attention is focused on the fighting in Croatia, potentially dangerous cracks are appearing along the ethnic fault lines in the southern republic of Macedonia, which voted overwhelmingly for independence in a referendum last week.

Although the Macedonian government has assured the European Community it is in no hurry to implement this decision, the quickening pace of Yugoslav disintegration may force the issue. Mr Kiro Gligorov, the republic's reform-minded president, says Macedonia cannot remain part of a Yugoslav federation that does not include Slovenia or Croatia.

Greek officials say there is no agenda for the meeting. But it clearly aims at heading off a possible confrontation over Macedonia between Serbia and Bulgaria, which could threaten the southern republic's external frontiers.

"Yugoslavia must remain united even in the form of a loose federation, and the existing geopolitical map must be maintained," a Greek official said.

Landlocked Macedonia is the federation's most backward republic, contributing only 5 per cent of the country's gross domestic product. Its economy has been hard hit by loss of income from travellers in transit: German tourists heading for Greece, Turkish Gastarbeiter driving home on holiday, and Greek truckers who, until this summer, transported 40 per cent of exports to EC markets through Yugoslavia.

Doubts about the economic viability of an independent Macedonia are compounded by increasingly vociferous demands for self-determination from its Albanian minority. The Albanians, who make up 20 per cent of the republic's 2m population, mostly boycotted the referendum.

Earlier this month President Slobodan Milosevic of Serbia told Mr Antonis Samaras, the Greek foreign minister, that Macedonia would not be permitted to secede, implying that it would be absorbed, by force if necessary, into a Greater Serbia.

Macedonia might then turn for protection to Bulgaria, where President Zelyu Zelev recently revived a traditional view that the Macedonians are in fact ethnic Bulgarians. The Sofia government's willingness to recognise an independent Macedonia is seen in Athens as a rebuff to both Serbia and Greece.

Greece refuses to recognise Macedonia on grounds that seem thoroughly anachronistic, except in the context of the region's historic rivalries over territory. In the Greek view, a Slavic republic has no right to the name of the northern Greek kingdom made famous in antiquity by Alexander the Great.

Even before the referendum, Greece officially ignored Macedonia's existence, fearing that with Serbian backing it would one day claim the modern Greek province of the same name.

Now, however, the overriding Greek worry is that if Serbia were to impose an economic blockade on Macedonia, thousands of impoverished refugees would flood into Greece. Greek troops are already holding military exercises along the northern border, amid reports that some units will remain as frontier guards.

'Reward' for prompt debt payment proposed

By Nicholas Denton in Budapest

A SENIOR International Monetary Fund official has proposed an easing in the burdens of Hungary and other countries which are heavily indebted but prompt in payments. "Countries that behave well should have some reward for it," Mr Jacques de Groote, Belgian IMF executive director who also represents Hungary, said yesterday. Other countries cited were Algeria and Indonesia.

Mr de Groote made a statement calling for "an extension of maturities" on credit from commercial banks at a recent fund board meeting. His surprising initiative came after talks with Mr Mihaly Kupa, Hungary's finance minister.

Mr Kupa has said repeatedly that, while Hungary would try to service its foreign debt promptly, it should not suffer for so doing. Annual interest payments of about $1.6bn (£940m) and repayments of $2.4bn on Hungary's $20bn gross foreign debt (the highest per capita in central Europe) are a drain on a recession-hit economy.

"Someone who behaves well is penalised and someone who behaves badly gets special rewards and benefits," he said after Poland had its debt reduced earlier this year.

Still unclear are the extent to which Mr de Groote reflected the finance minister's views or how much Mr Kupa, an unpredictable and ambitious figure, is in line with official policy.

Officials yesterday tried to stifle the issue, fearing Mr de Groote's remarks might give ammunition to those who openly back renegotiation. Mr Gyula Horn, leader of the opposition Socialist party, has called for partial cancellation of Hungary's foreign debt.

Trial deal for former spymaster

MR Markus Wolf, the former East German spymaster, has accepted a German offer for safe passage to testify at the trial of one of his subordinates in the disbanded secret service, a court official said yesterday, Reuter reports from Munich.

The official said Mr Wolf would travel to Munich for the October 10 trial of former East German Major-General Harry Schuett, charged with incitement to treason in hiring West Germans to spy for the east.

Mr Wolf, 68, who fled to Moscow just before German unity last year, left for Vienna only to be detained there after the failed Kremlin coup last month. He is wanted by Germany for running a spy network against West Germany.

Bundesbank controversy flares again

THE controversy over German finance ministry proposals to reduce the size of the Bundesbank's policy-making council has been reignited by a dispute between the central bank and one of its regional directors, writes Andrew Fisher in Frankfurt.

Before last night's talks between Chancellor Helmut Kohl and the prime ministers of the 16 Länder (states), Mr Reimut Jochimsen, head of North Rhine-Westphalia's central bank, wrote to the participants repeating his view that the council's size should be increased, not reduced as a result of unification.

Mr Helmut Schlesinger, the president of the Bundesbank, replied sharply that Mr Jochimsen's views were not those of the majority of its 17-member council. Mr Jochimsen wants each state to have its own central bank.

Since unification has raised the number of states by five, this would produce a Bundesbank council of up to 26, including permanent directors. The Bundesbank regards this as too unwieldy and has proposed only eight regional banks, which would mean several states sharing. Mr Theo Waigel, the finance minister, has proposed nine; the Bundesbank has accepted this.

Mr Jochimsen's letter was aimed at marshalling state opposition to this reduction, which has to be approved by the cabinet. Mr Kohl, however, was expected to support Mr Waigel's proposal.

Employers caution German unions over pay round

GERMAN unions, lining up for the annual round of pay negotiations starting next month, were warned off yesterday by the leading employers' group, the Bundesverband der Deutschen Industrie (BDI), writes Christopher Parkes in Bonn.

Rising costs, particularly wages, were threatening orders, investment and job opportunities, it said in its latest monthly economic report. Government figures showing an 11 per cent increase in bankruptcies in west Germany during July added weight to the message.

Irresponsible settlements, the BDI claimed, would bring a pay and prices spiral and increase pressure for rationalisation. With the burden of continuing high interest rates, it added, "the end of the investment boom seems unavoidable".

There were clear signs of a downturn in domestic demand. Orders had fallen in most industries during June and the rate of job creation had slowed down, real output from the manufacturing industries was stagnating. "In some sectors, mechanical engineering, for example, activity is already stagnant."

Mitterrand plea to strengthen Community

By Quentin Peel in Bonn

PRESIDENT François Mitterrand of France yesterday chose Berlin as the symbolic stage from which to issue an emotional plea to Germany to maintain its absolute commitment to the European Community – and to the Franco-German alliance underpinning it.

In a speech which left no doubt about his concern at the stresses within the EC caused by the upheaval in central Europe and the Soviet Union, the French president threw his weight behind the drive to reinforce the Community – through economic and political union – before seeking to enlarge it.

On the one hand, he warned the newly-democratic nations of eastern Europe against expecting early membership of the EC, stressing all the economic and administrative hurdles to be crossed.

On the other, he called on the 12 members to build on the Community they had created, and the policies at its heart – the common market, customs union and common agricultural policy – and not allow them to be diluted by enlargement.

To those doubters in Germany – above all the Bundesbank – calling for greater convergence between EC states before economic and monetary union can be a reality, he insisted that convergence should be the aim, and not the precondition, of the reforms.

He also underlined his fears over the hectic pace of self-determination, most obvious in the republics of Yugoslavia and the Soviet Union, warning that "wild self-determination towards and against everything" must be rejected.

The French president's speech, the high point of his three-day visit to Germany, and mainly to Berlin and the former East German Länder, sought to head off the critics of his foreign policy, at home and abroad, by placing the EC and its fulfilment, through economic and political union, as the cornerstone of stability in Europe.

He reminded his audience of the German enthusiasm for those aims, of the contributions made by Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the foreign minister, for their achievement. And he warned that any failure to reach agreement by the Maastricht summit in December would threaten the very future of the Community.

"Do not let us deceive ourselves," he said. "Any delay in our timetable would be the beginning of a setback, and a setback which would go to the heart of the Community's very existence."

If all the nations of Europe were to fall back on their old historical instincts and allegiances, then "the black shadow of past centuries will bury our hopes," the president warned.

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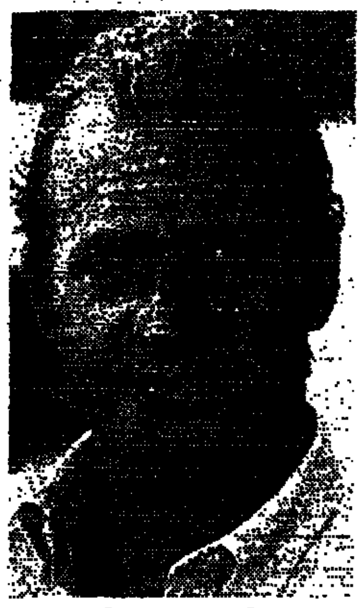
EUROPEAN NEWS

González plays the King card for all it's worth



Juan Carlos: lends authority

Peter Bruce reports on the discomfort of the Spanish prime minister

PRIME MINISTER Felipe González of Spain brings much the same strategies to politics that the Viet Cong did to guerrilla warfare – when under fire, burrow down and pop up when the enemy is tiring. It is unfair and, as the US military found, very effective.

Mr González is not a man of the people and has practically no contact with ordinary Spaniards. He seldom travels in Spain and he never makes watershed speeches at dinners or at openings.

Although he is only *el Presidente* of the government, and not of the country, he sees his position in the mould of French presidents. When he needs to say something, he does so in carefully controlled television "interviews" or in large set piece debates in the Cortes from which he always escapes unscathed.

But the prime minister has been sufficiently rattled in the past few weeks to deploy today the most potent weapon of conventional political warfare at his disposal – King Juan Carlos. The cabinet will ride over to the Palacio de la Zarzuela today for its Friday meeting. The king will preside, at Mr González's invitation.

This has happened four times since Mr González's Socialist party came to power in Spain, but the last occasion was in 1988. Three years later it is happening again because the prime minister feels events outside and inside Spain are sufficiently threatening to require any government action to be unequivocably identified with the source of legitimate authority in the country.

The Soviet Union is on everyone's mind and it was the King, after all, who ended a military coup that tried in 1981 to halt the democratic transition. No citizen stood outside the Cortes to protest at its occupation.

It has been a rough few weeks. European Community recognition of the Baltic republics and the deepening crisis in Yugoslavia inflamed nationalist sentiment in Spain's two most advanced industrial regions – Catalonia and the Basque country. When the normally opportunist leaders of these regions see an opening to further the cause of devolution, they can be frightening. The Catalan leader has declared his region has the same rights as Lithuania and the Basques have insultingly reminded Spaniards that the military, not the will of the people, remains the only true guarantor of their constitution.

Relations with the country's trade unions, meanwhile, continue to deteriorate. Big strikes are planned in the coal mining industry in Asturias this autumn and the unions, who in July wrecked a government effort to negotiate a nationwide productivity pact, are threatening further action should the government try to respond with a harsh budget for 1992.

In fact, the budget should be mildly expansionary but the government could still squeeze the economy – to converge quickly with low inflation neighbours – by rushing the overvalued peseta into the so-called narrow band of the exchange rate mechanism of the European monetary system. In the narrow band, the currency would be allowed to fluctuate only 2.25 per cent instead of by 6 per cent as it does now.

Meeting with the King does not solve any of these problems but it lends authority to, and renews the legitimacy of, a government that is too easily accused of having run out of political steam.

This is Mr González's third term in office and it has, so far, been his least imaginative. Many Spaniards are encouraged by this – as Spain's economic boom has faded and the country is no longer regarded as a democratic *wunderkind*, it is becoming just another ordinary place trying to get along.

González: out of steam

VW improves position against Fiat in western Europe

Germany leads car sale decline

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in western Europe fell steeply by an estimated 13.3 per cent in August to 1.038m from 1.197m in the same month a year ago, chiefly as a result of a sharp drop in sales in Germany.

In the first eight months western European new car sales were 2.8 per cent higher at an estimated 9.76m than in the same period a year ago (with eastern Germany included since currency union in July 1990).

The fall in German sales marks an abrupt reversal of the spectacular increases recorded earlier this year. According to industry estimates German new car sales in August fell by 20.1 per cent to 200,000 from 251,000 a year ago, confirming industry fears that the spectacular surge in German demand would weaken in the final months of the year.

Germany has been the driving force in the western European market this year. In the first eight months German new car sales at an estimated 3.14m were 48.5 per cent higher than in the corresponding period a year ago, and Germany has accounted for one of every three new cars sold in western Europe this year.

August sales in Germany fell following the end in July of a tax concession for cars equipped with catalytic converters, which have now largely become standard equipment. Also the distortion caused by German unification is diminishing as the surge in sales had already begun in August last year in the wake of monetary union in July.

Excluding Germany, new car sales in the rest of western Europe in the first eight months at 6.6m were 10.3 per cent lower than a year ago.

Overall in western Europe new car demand in August was lower in 11 markets and higher in six; in the first eight months sales were down in 10 out of 17 markets.

The VW group has established a commanding lead ahead of the Fiat group of Italy, its closest rival, which has lost ground rapidly this year, not least in its home market.

VW group increased sales volume in the first eight months by an estimated 11.8 per cent this year, giving it an estimated market share of 16.7 per cent against 15.3 per cent a year ago.

The Fiat group's share has tumbled to 12.6 per cent from 14.3 per cent a year ago reflecting a 9.2 per cent drop in sales volume.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-August 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Aug 91	Share (%) Jan-Aug 90
TOTAL MARKET*	9,763,000	+2.8	100.0	100.0
MANUFACTURERS:				
Volkswagen**(incl. Audi,SEAT&Skoda)	1,629,000	+11.8	16.7	15.3
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti;Maserati)	1,233,000	−9.2	12.6	14.3
General Motors (Opel/Vauxhall, US# & Saab)	1,220,000	+8.9	12.5	11.8
– Opel/Vauxhall	1,173,000	+9.5	12.0	11.3
– Saab***	35,000	−12.3	0.4	0.4
Ford (Europe, US# & Jaguar)	1,194,000	+7.0	12.2	11.7
– Ford Europe	1,182,000	+7.7	12.1	11.6
– Jaguar	9,000	−37.0	0.1	0.1
Peugeot (incl. Citroën)	1,126,000	−7.5	11.5	12.8
Renault††	960,000	+1.7	9.8	9.9
Mercedes-Benz	326,000	+10.6	3.3	3.1
Nissan	322,000	+15.7	3.3	2.9
BMW	283,000	+8.6	2.9	2.7
Toyota	263,000	+1.3	2.7	2.7
Rover†	256,000	−10.5	2.6	3.0
Mazda	213,000	+6.9	2.2	2.1
Volvo††	142,000	−17.7	1.5	1.8
Mitsubishi	140,000	+15.3	1.4	1.3
Honda†	120,000	+6.3	1.2	1.2
Total Japanese	1,215,000	+9.4	12.4	11.7
MARKETS:				
Germany*	3,143,000	+48.5	32.2	22.3
Italy	1,636,000	−1.1	16.8	17.0
France	1,366,000	−14.3	14.0	16.8
United Kingdom	1,205,000	−22.0	12.3	16.3
Spain	611,000	−15.5	6.3	7.6

*Includes eastern Germany since July 1990.
#Cars imported from US and sold in western Europe.
**VW holds 31 per cent and management control of Skoda.
***GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

Polish aircraft workers strike over Boeing order

By Christopher Bobinski in Warsaw

WORKERS at WSK Mielec, one of Poland's largest aircraft factories, are threatening a protest strike aimed at persuading LOT, the Polish state airline, to drop plans to purchase nine Boeing 737 aircraft.

Ms Henryka Bochniarz, Poland's recently appointed trade and industry minister is to travel to Mielec, in the south-east of Poland, today to speak to Solidarity trade unionists there who have been occupying management buildings since Monday. The protest comes after LOT signed a letter of intent earlier this month to purchase aircraft worth more than $300m (£177.5m) from Boeing.

The agreement superceded an earlier letter of intent with McDonnell Douglas for the delivery of nine MD-80 airliners.

McDonnell Douglas's offer included a pledge to purchase about $80m worth of aircraft parts in Poland and explore the possibility of placing defence orders with Polish industry. This won it Solidarity's support in the tussle for the contract.

Management in the aircraft industry as well as the defence establishment and the Industry Ministry had been in favour of McDonnell Douglas.

The Boeing offer was only taken up when, at the beginning of August, LOT was given a free hand to choose a supplier. Boeing has said it would purchase some $30m worth of parts in Poland. LOT already has three long-range Boeing 767s and yesterday Mr Bronislaw Klimaszewski, the airline's managing director said he was determined to complete the agreement for delivery of the nine 737s from the same company.

Mielec, backed by other aircraft factories such as WSK Rzeszow nearby, is demanding that the government take binding decisions on the future of the industry which is now on the verge of collapse.

Solidarity in Rzeszow, where unemployment has already reached 12 per cent, has declared a strike alert and promised to escalate protests.

The trade union wants government pledges of financial support to permit a restructuring of those sections of the industry thought worth preserving. The factories have been badly hit by the collapse of the Soviet market.

Weak capital spending hits Japan's growth

By **Stefan Wagstyl** in Tokyo

THE Japanese economy is slowing, according to figures published yesterday which prompted speculation of further cuts in interest rates.

Weak capital spending helped hold back economic growth to just 0.5 per cent in real terms in the three months to June, compared with the first quarter of the year, according to a report by the Economic Planning Agency. The figure was lower than expected and considerably below the 2.75 per cent increase recorded in the first three months.

The EPA said the economy was still growing healthily and was due to set a new record for the longest post-war period of sustained growth. This month it was due to beat the 57-month record established in the high-growth years of the 1960s.

The government remains confident of its forecast of 3.8 per cent growth for the financial year to next March. But some private sector economists are voicing doubts. Mr Paul Summerville of Jardine Fleming, the securities company, said 3.1 per cent was more likely. The government's target was "impossible".

Mr Yoichi Tazawa, an economist at Nomura Securities, said: "Growth will decline to much lower levels." He urged the central bank to cut interest rates soon.

According to the EPA, domestic demand in April-June grew by 1 per cent compared with the first quarter, with a solid 1.8 per cent increase in personal consumption offset by a sharp 6.7 per cent fall in housing investment and a very slight decline in capital spending - the first since 1988.

External demand fell 0.5 per cent as export values declined with a strengthening yen.

Compared with the same quarter in 1990, gross national product rose 4.9 per cent in real terms, led by an 8.0 per cent rise in capital spending, and a 4.4 per cent increase in public works spending. Consumption was 2.6 per cent higher.

Meanwhile the Bank of Japan announced the money supply last month grew by just 2.8 per cent year-on-year, the lowest figure on record.

Land prices in Tokyo and Osaka, Japan's largest cities, dropped in the year to the end of June for the first time since the National Land Agency began its annual surveys in 1975, writes Steven Butler from Tokyo.

The agency said yesterday that residential land prices in Osaka fell by 15.3 per cent, following a 48.2 per cent rise the year before. Commercial land prices fell by 8.9 per cent after rising 39.7 per cent a year ago.

The decline in property values follows a period of high interest rates and a determined effort by the government to force speculators out of the market. The Ministry of Finance has imposed volume controls on lending for the property market and some large property companies have been forced into bankruptcy.

In Tokyo all residential districts surveyed posted a decline in value, averaging 1 per cent, following last year's rise of 11 per cent. Commercial land prices fell by 0.3 per cent, following a 5.6 per cent increase.

However, land prices in cities other than Tokyo, Osaka and Nagoya continued to go up last year.

Kaifu government proposes overseas peacekeeping force

THE Japanese government yesterday asked the Diet (parliament) for the right to send troops overseas on disaster relief and United Nations peacekeeping missions, writes Stefan Wagstyl.

The bills presented to MPs yesterday would allow up to 2,000 troops to be despatched abroad. Those serving in peacekeeping units would be armed.

The proposals, which have generated intense controversy, would constitute a breach in Japan's post-war ban on sending troops on active service overseas. But government officials believe Japan has to play a more active role in world affairs in response to criticism of its failure to contribute personnel to the US-led coalition in the Gulf war.

The government of Prime Minister Toshiki Kaifu, introduced similar bills a year ago, but was rebuffed by critics who claimed the move might infringe Japan's peace constitution.

The current bills are unlikely to pass before parliament before this session ends on October 4, but they could be re-introduced in January. The ruling Liberal Democratic Party holds a majority in the lower house but not in the upper chamber so it faces a struggle to secure the support of the opposition.

Opposition parties have various demands including a full explanation from Mr Kaifu about the constitutional implications of the bills.

Mr Misoji Sakamoto, the chief cabinet secretary, said yesterday that for Japan, which has made the UN a pillar of its foreign policy, it was increasingly important to enhance its contribution to peace-keeping and disaster relief operations.

"There has been in Japan a deepening of the common understanding... that Japan should play an active role for world peace not only in money and materials but also in personnel," said Mr Sakamoto in a statement.

The difficulties of satisfying the government's critics were apparent even in the statement. In order to avoid infringing the constitution, Japanese members of the force would be allowed to use their arms in self-defence only. They would also be required to withdraw from the field if the peace agreement they were supervising broke down.

Mr Manfred Wörner, the Nato secretary-general who is visiting Tokyo, urged Japan to contribute more to securing world stability. As the world's most successful economic power, Japan should "take over a fair share of global responsibility", said Mr Wörner.

US to keep curbs on Angola until poll

By **Lionel Barber** in Washington

THE Bush administration intends to maintain restrictions on US trade and investment in Angola until multi-party elections are held next year.

This tough line emerged after talks between President Jose Eduardo dos Santos of Angola and President George Bush in Washington. However, Mr Bush offered humanitarian aid and some direct financial help for the elections.

Mr Bush's offer – and the prospect of post-election aid – caused Mr dos Santos to declare that US-Angolan relations were "at a turning point", after the devastating 15-year civil war in which Washington supported the Unita guerrillas against the Luanda government. The meeting was unusual since the two countries do not have normal relations.

It signalled the end of an era in which the only senior Angolan figure granted entry to the White House was Mr Jonas Savimbi, the Unita leader.

During his visit, President dos Santos promised elections before the end of November 1992, as mandated by recent peace accords brokered by Portugal. His preferred date was in September 1992.

IAEA unravels Iraq's nuclear programme

By **Bronwen Maddox**

THE FIFTH inspection team from the International Atomic Energy Agency, just arrived in Iraq, will try to settle three questions about Iraq's nuclear weapons capability.

Its main efforts will be to find the limits of Iraq's programme for enriching uranium by centrifuges. The surprise discovery by the fourth mission, discussed at the IAEA governors' conference last week, was that Iraq possessed at least one highly sophisticated enrichment programme.

The technology to concentrate the fissile form of uranium from less than 1 per cent of natural uranium to around 90 per cent is the main obstacle in making nuclear weapons.

Centrifuges separate the isotopes by spinning uranium in gaseous form. A linked cascade of 200 centrifuges would be needed for steady production of weapons-grade uranium.

The IAEA inspectors have discovered a centrifuge production site at al-Farat, south of Baghdad, that is "better than Eurenco", the Dutch state-of-the-art centrifuge centre. The site, undetected before the Gulf war, escaped unbombed.

The fifth mission needs to confirm its belief that al-Farat would have started operating by the end of 1991 and could have produced around 200 centrifuges a year. The al-Farat centrifuges would have overtaken electromagnetic enrichment, a technology that Iraq had already developed. The IAEA team has concluded that electromagnetic enrichment alone could have delivered enough enriched uranium for a weapon within 18 months.

The IAEA's second question is where the technology came from. While most of Iraq's experiments could have been drawn from open scientific literature, the complexity of the centrifuge technology suggests outside advice. Mr David Kay, head of the IAEA team, says "it is most definitely part of our brief to identify people and companies behind the programme".

The third task is simply to find the outer limits of the huge Iraqi nuclear research programme – costing an estimated $10bn – which has so far been shown to encompass methods considered pioneering even in the west.

The IAEA is unapologetic about its failure to discover the lavish programme in its past inspections of Iraq's nuclear reactors under the Nuclear Non-Proliferation Treaty.

The IAEA governors are expected to defer discussion of whether inspection procedures should include surprise visits until later in the year, when the fifth and sixth missions will have reported. However, an official acknowledges: "We should be seen to do something soon."

Mulroney drops visit to S Africa

By **Bernard Simon** in Toronto

MR Brian Mulroney, Canada's prime minister, has scrapped plans to visit South Africa next month, heeding advice from the African National Congress and some other Commonwealth countries.

His decision follows that of Mr Bob Hawke, his Australian counterpart, who on Wednesday called off a South Africa trip. Mr Hawke was due to go before the Commonwealth conference in neighbouring Zimbabwe on October 16, and Mr Mulroney after it.

Mr Mulroney said a trip at this time "would not be helpful". He appears to be nervous that a visit now would be interpreted as support for President F.W. de Klerk's government at a delicate stage of talks between Pretoria and the ANC on a majority-rule constitution.

Canada was one of the driving forces in the Commonwealth for tightening sanctions against Pretoria in the mid-1980s, and has so far lagged behind most other industrial countries in restoring commercial links.

The decision was also influenced by the recent surge in township violence in South Africa and by the scandal involving payments to Chief Gatsha Buthelezi's Inkatha Freedom party.

Holding court: Mrs Khaleda Zia talks to reporters after taking the oath yesterday as Bangladesh's first executive prime minister after 16 years of presidential rule. On Sunday Bangladeshis voted overwhelmingly for a parliamentary system of government

Hawke's ministers urge end to leadership row

By **Kevin Brown** in Sydney

MR Bob Hawke's chances of leading the ruling Australian Labor party (ALP) into the next federal election appeared to have improved yesterday after several ministers called for an end to leadership speculation.

Mr Hawke, prime minister since 1983, has faced simmering discontent in the parliamentary Labor party since June, when he narrowly defeated a challenge by Mr Paul Keating, the former treasurer (finance minister).

However, support for Mr Hawke has been bolstered in recent weeks by a series of good parliamentary performances, and a steady improvement in his opinion poll rating. Mr Keating has angered some MPs by criticising aspects of the government's economic policy, and appearing to undermine the premier in appearances on television and radio.

The most significant comment came from Senator Graham Richardson, the organiser of Mr Keating's leadership challenge, who said Mr Hawke was "long odds on" to lead Labor at the next election, which is due by March 1993.

"At some point you have got to say to yourself you just can't bat on with this [leadership speculation] and I think we have reached that point," he said. Senator Richardson's comments were interpreted by key supporters of Mr Hawke as a clear indication that Mr Keating will not launch a second challenge for the leadership.

Mr Kim Beazley, the communications minister, said it marked the end of the "fall-out" which had followed the leadership challenge, and Mr Brian Howe, the deputy prime minister, said that it meant the leadership issue was settled.

However, few commentators ruled out a second leadership challenge if Mr Hawke's popularity wavers in the crucial period between now and Christmas, widely seen as Mr Keating's deadline.

Hijack of Italian jet ends in Tunis

AN ATTEMPTED hijacking of an Italian MD-80 jet flying from Rome to Tunis ended without incident yesterday after the arrest of the hijacker at Tunis airport, write Haig Simonian in Milan and Lamis Andoni in Tunis.

The Alitalia jet, carrying 130 passengers and seven crew, was hijacked over Sardinia in mid-afternoon. The hijacker was named as Mr Adi Bouchnak. He appeared young and spoke Arabic. Neither his demands nor his nationality was immediately revealed.

The Palestine Liberation Organisation said Mr Nemer Hammad, its Rome representative, was a passenger aboard the flight.

The aircraft first made for Algiers before changing course for Palermo and then Tunis, its scheduled destination. Soon after negotiations started there, with the aircraft cordoned off and elite Tunisian troops in attendance, passengers started to disembark.

The incident, which was the first attempted hijacking of an Italian airliner since 1982, is bound to raise new doubts about security at Rome's Fiumicino airport. In December 1985, 16 people were killed when four Palestinian guerrillas attacked passengers at US and Israeli airline check-in counters at Fiumicino.

Washington and Kuwait sign 10-year defence pact

THE US yesterday signed a 10-year defence agreement with Kuwait, allowing it to store military equipment in the country, use its ports and conduct joint training exercises with its armed forces, writes George Graham from Washington

The pact, signed yesterday in Washington by Mr Richard Cheney, the US defence secretary, and by Sheikh Ali al-Salem al-Sabah, his Kuwaiti counterpart, will not provide for the setting up of permanent US bases nor the stationing of US troops in Kuwait.

But at a time when the US is getting ready for the possible dispatch of a fighter wing to the region, the pact highlights US efforts to make preparations for future operations in the region.

However, some analysts argue that heavy military equipment positioned in Kuwait would be dangerously close to Iraq in the event of future conflict.

Kuwaiti officials were also due today to sign a framework agreement with the US Export-Import Bank covering up to $2bn (£1.1bn) of US exports.

Sri Lanka granted loan

By **Mervyn de Silva** in Colombo

SRI LANKA has received a SRs20bn ($455m) loan under the International Monetary Fund's structural adjustment facility, the largest loan the country has negotiated since it joined the World Bank and International Monetary Fund in 1950.

A central bank official said the money was pledged after a two-year study by the Bank of economic policies and performance, and Sri Lanka's capacity to meet its target of 6 per cent growth.

With President Ranasinghe Premadasa facing a revolt within his ruling party, which has provoked him into expelling three ministers and five other MPs, the loan could not have been better timed.

Mr Premadasa promptly appointed several parliamentary committees to identify development projects which will create jobs quickly.

AMERICAN NEWS

US trade deficit rises sharply

THE US trade deficit rose sharply in July to $5.9bn, the biggest shortfall for six months, the Commerce Department reported yesterday, writes Michael Prowse from Washington.

The deterioration mainly reflected a jump in imports, which rose $2.4bn to $41.1bn. Exports rose $300m to $35.3bn.

The rise in imports was broadly based and consistent with the gradual economic recovery predicted by the White House and other forecasters. Imports of consumer goods rose $1.1bn between June and July: motor vehicles and capital goods both rose $0.3bn.

So far this year, the deficit is running at an annual rate of $61.6bn, a sharp improvement on last year's deficit of $101.7bn. The deficit fell to a monthly low of $3.8bn in June.

Exports trends remain fairly encouraging. In the last three months, exports were 2 per cent higher than in the previous quarter and nearly 7 per cent higher than in the same period last year.

Argentine debt talks in US

Mr Domingo Cavallo, Argentina's economy minister, is to travel to Washington today in an attempt to jump start negotiations on the country's $61bn foreign debt, reports John Barham in Buenos Aires.

Mr Cavallo is to meet Mr David Mulford, assistant treasury secretary, and hold informal talks with Mr Nicholas Brady, treasury secretary. He will also see Mr Michael Camdessus, IMF managing director.

Peru's latest credit puts cherry on the cake

Sally Bowen charts Lima's success in winning back the confidence of its financiers

PERU'S signing on Wednesday ofan agreement with the Inter-American Development Bank (IADB) for credit totalling $425m was the first fresh multilateral credit to enter the country for five years.

The loan is further evidence of Peru's success in winning back the confidence of the world financial community.

Mr Enrique Iglesias, the IADB president, emphasised that this was the largest single credit ever granted by the bank. It was a sign of the IADB's "great affection" and "admiration for the vigorous stabilisation programme under way in Peru," he said.

The initial IADB credit will primarily support the sweeping external trade reforms decreed by Peru over the past year, against guarantees of no backtracking on liberalisation.

According to President Alberto Fujimori of Peru, more IADB money is in the pipeline including $300m to repair Peru's badly deteriorated roads. The IADB board approved in principle on June 30 the future finance of development projects in Peru totalling over $1.6bn.

After finalising $1.16bn for essential balance of payments support over this year and next from a "support group" of friendly countries, Peru won official IMF approval for its economic stabilisation programme on September 13. Peru's status of ineligibility for loans was immediately lifted.

Then on Tuesday, in negotiations which President Fujimori described as "fantastic and unprecedented", Peru achieved the rescheduling of its entire $6.6bn external debt with the Paris Club group of leading industrialised nations.

Peru's arrears make it the Paris Club's third largest debtor internationally and the largest in Latin America.

Under the Paris Club's terms, Peru will pay nothing for the rest of 1991, and 1992 repayments have been cut to about $300m, less than half the expected figure. This will leave Peru with a net capital inflow of about $700m next year.

Unlike Poland and Egypt, which had substantial portion of their arrears written off, Peru was unable to seek multilateral debt forgiveness from the Paris Club under conditions imposed by Japan, the second largest support group member.

However, Mr Carlos Bolona, Peru's economy minister and head of a newly constituted debt negotiation commission, said that Peru would "make very great efforts at bilateral level to seek significant reductions or debt swaps" before returning to the Paris Club negotiating table in 1993.

Peru's strategy had combined the so-called Houston terms for middle-income countries "with elements of the Polish negotiations," said Mr Bolona. As a result, the bulk of Peru's arrears with the club, comprising public sector debts, are to be rescheduled over 20 years with the remainder repayable over 15 years. Arrears exceeding $1bn contracted after the cut-off date of January 1, 1983 have been rescheduled for payment over a six-year period. These are considered exceptionally favourable conditions.

Peruvian arrears with the IMF, meanwhile, are to be settled through the "rights approach". This will allow Peru to accumulate special drawing rights over the next two years without actual disbursement of funds provided that agreed monetary targets, monitored quarterly by the fund, are met.

Threat of strike looms for Caterpillar and UAW

By **Barbara Durr** in Chicago

CATERPILLAR, the world's largest maker of earth-moving and construction equipment, and the powerful United Auto Workers (UAW) union appear to be braced for a strike.

The contract of some 17,000 UAW members expires on September 30, and the company and the union cannot even decide on a location for negotiations.

More than 95 per cent of the union's members have already approved a strike if negotiations founder. If they do strike, it could become a long and contentious test of union strength on some key issues. When the union last walked out against the company in 1982, it was for 205 days, the longest strike in UAW history.

The company argues that its labour costs must not render it uncompetitive in the global market during the next decade.

It also challenges the UAW's insistence on following the pattern of contracts in the car industry, because unlike the US vehicle industry, it is a net exporter.

The union says Caterpillar has taken a confrontational approach. When the UAW did not respond last month to an outline of its contract proposal, the company took the unusual step of mailing the outline directly to union members.

This week it delivered to the UAW a complete contract, drafted without consultation.

Abu Dhabi told US of BCCI

By **Alan Friedman** in New York

THE Government of Abu Dhabi told the US State Department last March that "irregular conduct and allegations of improprieties" in Bank of Credit and Commerce International (BCCI) operations reached "far beyond those of direct concern" to US authorities, according to a letter from the finance department of the United Arab Emirates.

The letter, dated March 21, 1991, was sent by Mr Juan Salem Al-Dhaheri, under secretary of Abu Dhabi's finance ministry, to Mr Edward S. Walker Jr., US ambassador to the United Arab Emirates. A copy has been obtained by the Financial Times.

The Abu Dhabi official noted in the letter that Abu Dhabi government officials first learned of possible violations of law by BCCI subsidiaries in the US in the summer and autumn of 1990, when the emirate took control of BCCI.

The letter to the Bush administration was at pains to reassure Washington that Abu Dhabi was co-operating with officials from the Federal Reserve Board and the Department of Justice. It noted that Abu Dhabi had initiated its own "comprehensive investigation of the serious problems uncovered in the bank" and stressed that the Abu Dhabi probe was being conducted "under the most stringent procedures."

Abu Dhabi's sensitivity last March to potential US criticism may have been prescient; the June 1991 report to the Bank of England prepared by Price Waterhouse stated that Abu Dhabi government officials knew of the massive fraud at BCCI in April 1990.

In the US, the July 29 indictment of BCCI on fraud charges – brought by Mr Robert Morgenthau, the Manhattan district attorney – alleged that the names of two of the sons and two advisers to Sheik Zayed bin Sultan al-Nahyan, the Abu Dhabi ruler who controls 77 per cent of BCCI, had been used by BCCI as nominees in the build-up of US bank shareholdings in the 1980s.

Gates was 'never told' of funds sent to Contras

A CENTRAL figure in the Iran-Contra affair yesterday testified that he never told Mr Robert Gates about the illegal diversion of funds from US arms sales to Iran to the Nicaraguan Contra rebels in 1986, reports Lionel Barber from Washington.

However, Mr Alan Fiers (pictured above yesterday), a retired CIA official who had headed the Central American Task Force, suggested that Mr Gates had been broadly aware of the secret Contra resupply operation run out of the White House by then-marine Lt-Col Oliver North.

Mr Gates, who was deputy director of the CIA at the time and is now President Bush's choice to be the nation's next spymaster, has persistently denied that he was forewarned about the diversion. Testimony to the contrary would probably prove fatal to his nomination.

One unforeseen obstacle emerged, however, after the committee released sworn statements which conflicts with Mr Gates' earlier testimony.

WORLD TRADE NEWS

Nordic shipping plan may help Uruguay Round

By William Dullforce in Geneva

THE NORDIC countries yesterday tabled a proposal for the liberalisation of maritime transport which they hope will remove an important stumbling block to the completion of an international agreement on services in the Uruguay Round trade talks.

Their move challenges the US to drop its opposition to having the General Agreement on Tariffs and Trade's most-favoured-nation (MFN) rule extended to shipping. Other participants in the Round, including the European Community, are refusing to accept a General Agreement on Trade in Services (Gats) that exempts maritime services. Finland, Iceland, Norway and Sweden propose that Gatt's members adopt a "common approach" to maritime transport that would be binding on all parties to a Gats.

Governments would undertake to impose no new restrictive or trade-distorting measures affecting international shipping services and to remove existing restrictions within three years of the agreement coming into force.

Cabotage or coastal shipping regulations, under which most countries confine transport between two home ports to vessels carrying their own flags, would not be affected but would be negotiable. Governments could agree between themselves to reduce or remove restrictions.

Port facilities and auxiliary services would be dealt with in the same way. Countries would agree not to impose any new restrictions and could independently negotiate the removal of existing restraints. In the meantime, they would ensure access to auxiliary services for other countries' shippers "on reasonable and non-discriminatory terms".

Shipping conferences – the cartel-like mechanisms under which companies fix freight rates and co-ordinate services on most international routes – would not be touched; these are seen as private arrangements subject to national regulations on restrictive business practices, but not to trade agreements between governments.

The Nordic proposal takes no position in the conflict between governments, such as the US, which maintain that conferences should be open to new members and those, including the EC, which allow closed conferences to operate.

Effectively, the Nordic proposal would require the US to accept the application of the MFN rule to all maritime services; countries could even ask Washington to negotiate on cabotage rights.

US shipping companies have so far succeeded in prodding their administration into rejecting the application of the MFN rule.

They have argued that application would have a de-liberalising effect in that it would prevent the US from using its right under domestic legislation to impose trade sanctions on countries it regarded as operating unfair shipping regimes. However, the Nordic proposal would ensure a fair measure of liberalisation within three years.

Opposition to the Nordic proposal can be expected from developing countries. African negotiators quickly voiced concern about the effect the proposal would have on cargo-sharing agreements concluded under the United Nations liner code, which is designed to stimulate developing countries' share of world shipping.

Under the code two countries can decide to reserve 40 per cent each of the maritime trade between them for their own flag carriers, leaving 20 per cent for vessels from other nations.

Norway warns of anti-dumping risks in US

By Nancy Dunne in Washington

MR Jon Ivar Nalsund, Norway's state secretary of trade and shipping, this week warned that US anti-dumping laws operate so capriciously that companies in small countries must now use great caution before entering the US market.

On a visit to Washington, where he sought support for multilateral reform of anti-dumping rules in the Uruguay Round, Mr Nalsund said Norwegian companies had learned the hard way of the risks of building US market share.

Norwegian salmon farmers in the last decade had gained a 70 per cent share of the US market for fresh salmon but the market had totally disappeared following the loss of an anti-dumping and subsidy case filed with the US Commerce Department and the US International Trade Commission.

In April, when the ITC determined by a 3-1 vote that US fish farmers had been injured by the import of fresh salmon from Norway, anti-dumping duties of 23.8 per cent and a countervailing duty of 2.27 per cent were levied on the product. "You have to have large resources to risk entering the US market," Mr Nalsund said.

US fish farmers in Maine, New Hampshire and Washington state argued through their lawyers that the "inefficient" Norwegian industry – "a socialised monster" – was subsidised illegally and dumping its overproduction in the US. Mr Nalsund said the subsidies were regional development loans and grants and that the price of Norwegian salmon in the US was 40 per cent higher than its competition.

Dumping was found by the Commerce Department on the basis of a "constructed" cost of production in Norway.

The Norwegian government has appealed to the Gatt, where two panels are soon to hear the case. The costs of fighting the anti-dumping charges in the US and taking the cases to the Gatt was costing "millions", Mr Nalsund said, which small governments can ill afford.

Multinationals bewildered by Indian stance

David Housego reports on how investors remain wary of reforms

MULTINATIONALS wishing to set up joint ventures in India are increasingly bewildered by the slowness of the Indian government in carrying through its much publicised proposals for accelerating approvals of fresh foreign investment.

The issue is to be taken up by US multinationals when Mr P. Chidambaran, the minister of commerce, visits the US next week on a mission largely intended to woo American business to invest in India. On a parallel visit is a senior delegation of Indian industrialists, including Mr Ratan Tata, the head of the Tata group, and Mr Rahul Bajaj, the chairman of Bajaj Auto, the motorcycle and scooter group.

In an effort to remove increasing doubts among foreign businessmen in Delhi over whether the bureaucratic obstacles to investment have really been removed, the government hopes to announce approval of new foreign investment proposals before the minister leaves.

The most important of these would be a Rs850m (£19m) investment by IBM and the Tata group to produce PCs, minicomputers and software. The launching of such a project would mark IBM's return after quitting in the 1970s rather than submit to demands that it dilute the equity of its Indian subsidiary.

But two months after the government announced a policy of accelerating foreign investment into India – including automatic approval for up to 51 per cent holdings in specified areas – virtually no new investment has materialised.

The government did approve four joint ventures with German companies about two weeks ago before Mr P V Narasimha Rao, the Indian prime minister, visited Germany.

US companies that have tested the government's new procedures for "automatic" approval of foreign investment say that foreign exchange clearance for a project is far from automatic. The Reserve Bank of India has issued a new application form on standard conditions for foreign investment that covers such issues as shareholding, royalty payments, export obligations, import of capital goods and use of foreign brand names.

The detailed questioning reflects the government's concern that any new project is at least "neutral" in foreign exchange terms and does not impose an additional strain on the balance of payments. Among large US companies which still feel that they have hurdles to cross are Kelloggs, the food group, which wants to produce breakfast cereals for the Indian market; Du Pont, the chemicals concern, which wants to produce nylon 66 tyre cord in a joint venture with the Thapar group; Ford, which is seeking to establish a joint venture with Maruti, the Indian car group, to make radiators; and Coca-Cola.

There is little sign of significant fresh Japanese interest in investing in India. Two of the sectors of most interest to Japanese groups – consumer electronics and automobiles – are still subject to licensing controls. Foreign investment approvals which had been running at an average $250m a year dropped to only $70m (£41.4m) last year. World Bank projections forecast $180m of foreign investment this year.

GEC Alsthom's Malaysia deal

By Andrew Baxter

GEC ALSTHOM Power Plants, part of the Anglo-French engineering group, is to supply the electrical and mechanical equipment for a £400m hydro-electric project in Malaysia, one of the biggest single construction contracts to be awarded in the Far East.

The contract to build the 600MW power station, in Kelantan province near the Thai border, was awarded in March to Balfour Beatty and Cementation International, two UK construction companies, along with Kerjaya Sendirian Berhad, a local contractor. The project is 90 per cent underground for environmental reasons.

The Kelantan project took the two UK construction companies two years to negotiate, and was won with the help of the British government's "aid and trade provision" – export credits sweetened by aid. In April, the success of the programme forced the Overseas Development Administration to close the window for new deals until the end of the current financial year.

The size of GEC Alsthom's contract was not disclosed, but is understood to be substantial. It underlines the company's strong position in Far Eastern markets, although it is its first big Malaysian order since its formation in 1989.

GEC Alsthom's Manchester-based power station projects group will design, procure, supply and project manage the electrical and mechanical equipment package, provides as part of a multi-million pound soft loan agreed between the UK and Malaysian governments. The loan will be part-financed from the ATP.

The project comprises an underground powerhouse with a main chamber and transformer hall, and a control building and switchyard on the surface. The main chamber will contain four vertical shaft generators manufactured by GEC Alsthom's large machines subsidiary in Rugby, directly coupled to four vertical shaft Francis-type water turbines.

The station, due for completion in 1996, will provide power during periods of short-term peak loading.

US development aid will fund business services

By Nancy Dunne

THE US Agency for International Development (AID) yesterday announced a $20m (£11.8m) pilot project to provide loan guarantees for the establishment of US franchise operations in emerging economies.

Mr Stephen Eastham, an AID official, said the fund would focus on developing a cross section of business services – such as employment agencies, real estate companies, accounting and delivery companies – which are needed to attract additional trade and development.

The funding for the project, which would be of particular use in eastern Europe, may be expanded later. The first participant in the programme will be AlphaGraphics, an Arizona print and copying company, which will receive a $6m loan guarantee facility to assist franchise holders in obtaining credit to acquire licenses and working capital.

The fund will only underwrite 50 per cent of the loans, preferably from banks in the developing countries.

The risk sharing is to ensure that franchise proposals get careful scrutiny.

It is also a means of encouraging local banks, which are not familiar with franchises, to loan to these small businesses.

Seoul austerity 'not against imports'

By John Ridding in Seoul

THE South Korean government is seeking to allay growing concerns among trading partners that a national austerity campaign will damage imports and prompt a re-emergence of trade friction.

In a series of meetings with diplomats and other representatives from trading partners over the last few days, Korean officials have said that the austerity or "anti-conspicuous consumption" campaign is the initiative of private groups and does not target imports. Instead, said Mr Lee Ki Choo, assistant foreign minister, the campaigns are aimed at "restoring traditional ethics and preventing the increase of tension between haves and have nots in Korean society".

But trading partners are worried that the campaigns will prompt a repeat of events last year in which foreign consumer goods suffered as a result of similar social campaigns. "We are very vigilant," said Mr Gilles Anouil, head of the European Community delegation in Seoul. He says that the issue will be raised at high-level talks between South Korea and the EC to be held in Brussels next week.

Last year, foreign consumer goods, from American cars to European fashion products, were withdrawn from showrooms and other outlets as a result of the austerity campaign. "Last year the campaign was misunderstood by local officials," Mr Lee said yesterday. "That is what caused the problems."

Italy wins order for Soviet air traffic radar equipment

By Haig Simonian in Milan

ALENIA, the Italian state-owned aerospace and electronics group, has won a $90m contract to supply radar equipment for air traffic control equipment in the Soviet Union.

The deal, awarded to the Buran joint venture in which Alenia has a 49 per cent stake, could eventually involve modernising the air traffic control system for much of the country. An Alenia spokesman said that the award of the latest contract, which is for eight radar systems at Kuybichev airport, showed that business was still proceeding normally in the Soviet Union.

The joint venture, in which Alenia is linked to three Soviet companies and institutions, will eventually involve building and installing 41 new radar systems at various Soviet airports for a total value of around $2.4bn (£1.42bn).

BUSINESS FOR SALE ALSO APPEARS ON PAGE 10

UK NEWS

MOTOR INDUSTRY

Car production drops sharply as exports slow

By Kevin Done, Motor Industry Correspondent

UK car production fell by 30 per cent in August to 57,195 from 81,711 in the same month a year ago, as the rate of export growth slowed dramatically and the rate of decline in output for the domestic market accelerated.

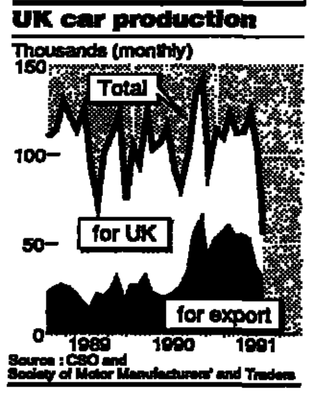
Mr Simon Foster, director of the Society of Motor Manufacturers and Traders, the UK motor industry trade association, said yesterday that "long-term damage to the industry may be unavoidable if these trends continue".

In spite of the deep recession in the domestic new car market, UK car output had previously been sustained this year by a big jump in exports.

Mr Foster said, however, that the rate of export growth was expected to slow significantly in the final months of the year because of weaker foreign markets.

In the first eight months of the year car output – at 853,574 – was 3.4 per cent higher than for the corresponding period a year earlier, but 3.7 per cent lower than the level of two years ago, according to figures released by the Central Statistical Office and the SMMT.

UK car production



Source: CSO and Society of Motor Manufacturers' and Traders

Car output for export markets in the first eight months, at 403,890, was 97 per cent higher than in the corresponding period a year ago, while production for the domestic market, at 449,684, was 27.6 per cent lower.

In August, however, output for export markets at 30,599 was only 14.5 per cent higher than a year ago, while production for the home market showed a 51.6 per cent drop.

The abrupt fall in overall car output in August was only the second monthly year-on-year drop in production since July 1990.

Leading car producers have forecast a fall in UK new car sales to around 1.55m this year from 2m in 1990 and a record 2.3m in 1989.

Commercial vehicle makers have been hardest hit by the recession. Without the cushion of substantially higher export sales, output has dropped by 28.3 per cent in the first eight months of the year, but the decline accelerated in August with a year-on-year drop of 48.4 per cent.

● NISSAN UK, the privately owned distributor of Nissan vehicles in Britain, yesterday accused Nissan Motor, the Japanese car maker, of prematurely cutting its supply of new vehicles.

The manufacturer has terminated NUK's exclusive distribution contract from the end of the year and is setting up its own distribution operation through a subsidiary, Nissan Motor (GB). The latest conflict concerns supply of vehicles during 1991.

Nissan Motor said last night that the NUK claims were "frivolous, untruthful and manifestly an attempt to discredit Nissan and to prejudice Nissan Motor (GB)'s start-up in January 1992." It would continue to supply vehicles to NUK in November and December.

Government accused of doctoring Third World aid project reports

By Ivo Dawnay, Political Correspondent

THE government has "doctored" the findings of a highly damaging independent report on six Third World aid projects, Labour said yesterday.

The party said the analysis disclosed that the projects were of little development value and may have breached international free trade commitments.

Ms Ann Clwyd, Labour aid spokeswoman, contrasted a version of the 1988 evaluation report, circulated within the Overseas Development Administration (ODA), with the final document published in 1990. The original report, entitled A Synthesis of Six Evaluations of ODA Large Power Generation Schemes, tried to draw conclusions as to the effectiveness of power plant projects in Bangladesh, Botswana, Burma, Sudan and India.

She said at least 13 serious criticisms of the six power-plant projects had been deleted.

Three of the criticised projects came under the controversial Aid and Trade Provision (ATP), the £50m-a-year budget of which has been accused of being a disguised subsidy for British commercial ventures of dubious development merit.

Ms Clwyd said: "The two documents appear to show that international bodies and parliament have been deliberately misled to save the government's face." She added that all ODA internal reports should now be disclosed.

The ODA last night denied any cover-up, adding that the 1988 report, made public by Labour, was an early draft. All the later changes had been made with the approval of the report's authors, the ODA said, while project planning was under continual appraisal to improve the quality and value of aid schemes.

BRITAIN IN BRIEF

Ownership of homes on increase

Home ownership in Britain had risen to 66 per cent of households by last year, the preliminary results of the General Household Survey showed yesterday.

This compares with 49 per cent of households in 1971 and 54 per cent in 1981. The increase in the number of households owning their homes either outright or on a mortgage – helped partly by the sale of council homes to their tenants – became one of the distinctive features of the Thatcher era.

However, the proportion of people with mortgages dropped slightly from 42 to 41 per cent between 1989 and 1990, the first fall since 1971.

Another trend confirmed by the survey is a continuing change in the size and shape of households. The proportion containing only one person rose from 17 to 26 per cent between 1971 and 1990, while the proportion with five or more people halved from 14 to 7 per cent.

Transport review urged

A sharp attack on the government's "piecemeal planning" of transport in London was delivered by the London Tourist Board yesterday.

Dame Shelagh Roberts, the board's chairman, said successive governments had proved incapable of adopting anything other than a piecemeal approach to transport planning in London.

"Where is the vision, the forward thinking, the strategy and the planning?" she asked.

"Why is transport investment seen as a drain on the public purse when, in other countries, it is seen as an investment in a city's economic future?"

Dame Shelagh's remarks accompanied the publication of a London Tourist Board report warning that the capital faces economic decline without more transport investment.

The report says tourism brings 17m people a year to the capital and contributes more than £5bn a year to the local economy.

Jobs go on research body

The Science and Engineering Research Council is to shed 300 of its 2,700 full-time posts by 1993, according to the SERC corporate plan.

Although the council hopes to achieve the reduction through a voluntary "programme of early departures", the plan says that "some compulsory redundancies may be necessary" at SERC's five main establishments – Rutherford Appleton Laboratory in Oxfordshire, Daresbury Laboratory in Cheshire, the Royal Observatories at Edinburgh and Cambridge, and the head office in Swindon.

Daresbury is likely to be hit worst. The corporate plan confirms that the Nuclear Structure Facility there will close in 1992/93, though physicists have been campaigning to keep it open.

SERC is the largest source of public funds for basic research in the UK. Its budget is expected to rise from £443m to £455m in 1991/92 and £492m in 1993/94.

Money growth is subdued

A subdued rate of growth for the amount of money in the economy, shown up in statistics released yesterday, has failed to support theories that economic activity is picking up.

According to the Bank of England, the narrow measure of the money supply, mostly comprising notes and coins in circulation and defined as M0, rose at a seasonally adjusted annual rate of 1.6 per cent last month, compared with 2 per cent in July.

The broad M4 measure of money, which includes private-sector holdings of notes and coin and also takes in bank and building society (home loan and savings) lending, rose at an annual rate of 7.2 per cent in August, compared with 7.5 per cent the month before.

Plan to devolve tax offices

Customs and Excise announced plans to devolve routine decision-making on liability of businesses for value added tax to local tax offices to try to provide a faster and more efficient service.

The London headquarters of the Vat Administration Directorate handles 6,000 to 7,000 written queries and 200,000 telephone inquiries a year, most of which – according to Mr Richard Allen, director of internal taxes – could be dealt with locally.

Speaker firm fined on noise

A loudspeaker manufacturer subjected its employees to noise levels 400 times above the legal limit, a court heard.

Wharfedale, based near Leeds, pleaded guilty to not testing noise levels, failing to provide earplugs, failing to provide noise warning signs and not training employees about the danger of high noise levels. It was fined a total of £525 with £150 costs.

Mr Ian Cook, prosecutor for the Health and Safety Executive, told Leeds magistrates that a factory inspector had found workers testing disco speakers enduring noises up to 120 decibels - the equivalent of 4,000 heavy lorries.

The company said the prosecution had come about because of ignorance about noise legislation. The company had implemented all the factory inspector's recommendations after his visit.

Riots bill may top £2m

The Northumbria Police Authority is facing a financial crisis as a result of last week's civil disorder in North Shields and Newcastle upon Tyne.

The Authority, already having to make £10m cuts this year to avoid charge capping, disclosed that the bill for police overtime, transport and help from other forces during the disturbances is likely to be around £2m.

And if it decides, on the basis of legal advice, that the disorder should be officially classed as riots it will also be liable, under the 1888 Riots (Damages) Act to consider claims for compensation, certain to run into many millions of pounds.

Book Aid founded

An alliance of Western academics and publishers have set up Book Aid to transport 1m books to the Soviet Union.

Many of the books are remainders but shipments also include new books.

The emphasis is on management, economics and How To Books but there will also be titles on philosophy, history, and literature plus books for children.

The first 11,000 books were delivered to Moscow on Tuesday by Aeroflot, which is transporting the books free of charge.

Last Tuesday's books came from the Oxford University Press, Transworld, Hodder & Stoughton and Penguin.

The target is to send 50,000 books by the end of September. Once in Moscow the books will go to libraries in 275 provincial centres throughout Russia and the other republics.

Essex win championship

Essex were crowned cricket county kings at Chelmsford, their county town, yesterday to cap England captain Graham Gooch's season of proud achievement.

The championship pennant and £44,000 cheque from sponsors Britannic Assurance were handed over to captain Gooch after his team had wrapped up an innings and 208 run victory over Middlesex.

It was Essex's fifth county title in 13 seasons ... and 3,000 of their fans saluted the latest triumph, which was confirmed when Neil Foster claimed his 97th wicket of the season by dismissing Dean Headley.

Mrs Margaret Ewing MP, parliamentary leader of the Scottish National Party, which wants an independent Scotland, said "obvious parallels" could be drawn with the Baltic states which had recently won independence and she told the SNP conference that Scotland's relegation in the "councils of the world" was a source of justifiable anger.

UK NEWS

Midnight Cowboy fires the opening shot as politics hits the nation's TV screens

David Owen on a new era in the dismal tradition of the party political broadcast

THEY SAY that the ten-minute length of the standard British party political broadcast was designed to give viewers enough time to flee to the kitchen to make a pot of tea.

As the next election approaches, the evening brew-up may increasingly have to wait until after The Nine O'Clock News. In a near revolutionary move, parties across the political spectrum are taking great pains to make their broadcasts interesting.

The clearest sign of this is the way they are turning to top talent, with a proven ability to fill cinema seats.

● Last night's accomplished but corny Conservative broadcast – with its edited highlights of a day in the life of Britain and not a talking head in sight – was the first to include work by Mr John "Midnight Cowboy" Schlesinger.

The fact that Mr Schlesinger was just one of the film's four directors no doubt explains why the finished product was not indelibly stamped with the Oscar-winner's mark.

An unadulterated Schlesinger film focusing on Mr John Major, the prime minister, is promised for the election campaign itself, however.

With a touch of irony, one of the broadcast's aims is expected to be to reinforce the notion that Mr Major has no truck with image-makers and that what you see on the screen is what you get.

● Next Wednesday, Mr Hugh "Chariots of Fire" Hudson's latest effort for the Labour party is due to be screened – his third since his much-vaunted debut as a party political broadcast director during the 1987 campaign.

Like that previous broadcast, the film is expected to concentrate on Mr Neil Kinnock, Labour leader, but with the accent on his views about contemporary themes as opposed to his personal roots.

● When the election campaign eventually does get under way, Mr Ken "Lisztomania" Russell may also get in on the act on behalf of the Corrective party, which advocates changes in Britain's censorship laws and enhanced civil liberties.

Ms Lindi St Clair, the party's founder, says she has received a letter from Mr Russell promising to direct a broadcast free of charge, subject to availability.

Although Ms St Clair is not yet sure whether the party can afford the music it wants, it is hard to imagine the end product being anything other than riveting.

So why are parties that have bombarded viewers for so long with dreary monologues and dry statistics now falling over themselves to lavish money and attention on production values and big-name directors?

Those pondering this point need look no further than the impact of that first seagull-strewn Hudson panegyric, which lifted Mr Kinnock's image rating among voters who saw it by between 9 and 17 points overnight.

In a surprisingly little-researched field – "Parties have very little money with which to make party political broadcasts let alone to research them," according to Mr Barry Delaney of the advertising agency Delaney, Fletcher, Slaymaker, Delaney and Bozell – such a finding stands out like a beacon.

It would have been surprising, in sum, if this demonstrable efficacy had not quickly led to the film being regarded as a model of its genre.

Even the Conservatives acknowledge "Chariots of Kinnock" as a watershed in much the same way that the Saatchi & Saatchi "Labour Isn't Working" poster, used during the last election, is still singled out in its particular field.

"What was significant about the Kinnock film was not that Hudson made it, but that it took the viewer seriously," says Mr Shaun Woodward, the Conservative party's communications director. "I believe you have to respect the viewer."

In seeking to refine the art of the political broadcast, Tory marketing gurus are now emphasising the benefits of co-ordinating the party's television message with the signals from other media.

Yesterday's film was conceived in conjunction with a glossy 68-page booklet and a new poster offensive to be unveiled today. "We have to make sure that when we fire a message, we do it on all cylinders," Mr Woodward says.

Also seen as important as viewers become more attuned to better production values, is ensuring that the message conveyed is in step with the mood of the country at large.

Yesterday's broadcast, for example, contained acknowledgements that "transforming Britain" has not always been easy, partly in deference to polls indicating that economic optimism is on the upswing but is by no means soaring.

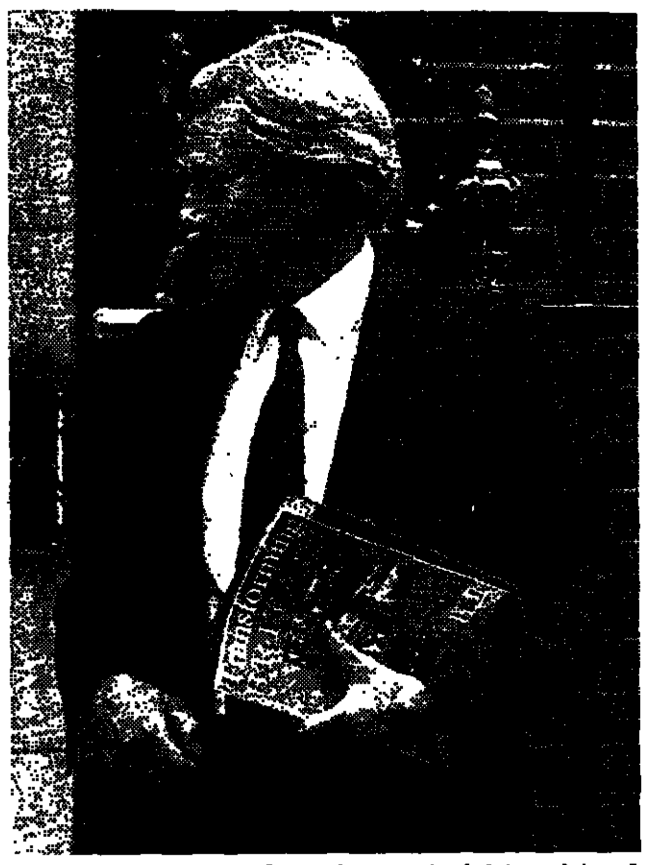
● Meanwhile the Tory party has chosen an innovative means of getting its message across to the voters. The new magazine Transforming Britain may be on sale at newstands around the country, but its financial support is rooted firmly in Conservative Central Office in London, writes Andrew Jack.

The glossy, 68-page publication preaches the virtues of the free market, but revenues from its £1.95 cover price will probably need a substantial subsidy from the party's communications budget.

Mr Martin Graham, deputy director of research, who thought of the idea, said: "This is a graphic and accessible statement of the government's purposes for a wide audience. It gives our strategy, what we have achieved, and tells the younger generation what life was like under Labour."

Unflattering newspaper cuttings from the 1970s and sepia photographs of pickets and uncollected rubbish on the streets dissolve into colour shots of industry at work and regenerated inner cities in the 1980s and 1990s.

Mr Chris Patten, party chairman, says: "It is vital that we should be able to illuminate the journey so far; and let the journey so far illuminate the future."



Mr Michael Heseltine, the environment minister, pictured outside No 10 Downing Street, London, yesterday ahead of a cabinet meeting, with the government's latest contribution to image-making tucked under his arm

Bank seeks to retreat from pre-election row

By Philip Stephens, Political Editor

THE Bank of England sought to retreat from the political battlefield yesterday as the Conservative and Labour parties unleashed further barrages in their pre-election phoney war.

A renewed attempt by Mr Chris Patten, the Conservative Party chairman, to stress that the government is not committed to an election this year did little to reduce the intensity of the exchanges.

Mr Patten's comment that an election campaign was "some way off" was accompanied by the launch of a new Tory magazine outlining Mr John Major's programme for the 1990s and attacking Labour's record in the 1970s. For its part the Government was faced with a further onslaught from Labour, the main opposition party, on its record on unemployment and the national health service.

As Downing Street emphasised that there was no discussion of election timing at yesterday's Cabinet, one participant said that in other private conversations ministers were talking about "little else".

Most remained firmly in favour of delay until 1992, but Mr Major would be paying close attention to the signs arising from a batch of opinion polls due at the weekend and early next week, he added.

The Conservatives' campaign was reinforced last night by a party political broadcast designed to strengthen their appeal to the blue-collar, or C2, voters who will be crucial in deciding the election outcome. That in turn will be followed this morning by the launch of a nationwide poster campaign attacking the opposition.

Mr Robin Leigh Pemberton, the Bank Governor, found himself facing opposition fire after a speech earlier this week in which he indicated that the economic recession was ending.

Senior Labour figures accused him of deliberately handing ammunition to the Conservative Party, claiming his optimism ignored the Bank's own judgement last month that the economy was "bumping along the bottom". The Bank stressed, however, that the speech, which taken as a whole was not totally optimistic about the outlook, merely commented on the more encouraging signs seen since its last assessment.

Its view was that Mr Leigh Pemberton was an unwitting victim of the febrile political atmosphere. The Governor, however, is expected to take particular care in a speech to the American Chamber of Commerce next week to steer clear of domestic issues.

Labour continued to push the political debate onto the social agenda, deriding Government claims that health service waiting lists had been shortened and detailing the personal costs of sharply-rising unemployment.

Labour plans for company law

By David Owen

THE LABOUR party would be prepared to adopt statutory measures obliging companies to exercise good corporate governance if the Cadbury committee fails to propose a mechanism to ensure that its recommendations are implemented.

The committee of senior industry and City of London leaders is carrying out a detailed review of some of the most fundamental aspects of running companies.

Ms Marjorie Mowlam, Labour's City spokeswoman, said that the party would take a statutory approach "more in sorrow than in anger." "The central question is how do you get the bad companies to adopt the best practices."

Among the changes that the party believes are necessary to raise corporate governance standards are the following:

● Shareholder voting behaviour should be disclosed in a bid to discourage passivity among investment institutions. Publication of the names of institutions which did not exercise their vote on important issues would encourage a more interventionist approach among company owners, the party believes.

● Shareholders should have the opportunity to vote separately on directors' emoluments and political contributions at corporate annual general meetings.

● Also at AGMs companies should be forced to disclose their criteria for appointing non-executive directors to help shareholders to evaluate whether such appointees are genuinely independent.

● Non-executives should form the majority on internal audit and remuneration committees.

● Standards of disclosure and presentation in annual reports should be improved. The party cites the US Securities & Exchange Commission's* form 10K* as one possible model.

Undersea cable project agreed

By Juliet Sychrava

NORTHERN Ireland Electricity (NIE) and Scottish Power have finally agreed a £30m deal for the delivery of electricity from Scotland to Northern Ireland through an undersea cable or interconnector, the two companies announced in Scotland yesterday.

Scottish Power will sell NIE 1250 gigawatt hours of electricity a year - or around 20 per cent of NIE's annual electricity demand.

The 15-year agreement allows NIE to go ahead and build the long-awaited interconnector between the two countries. Estimated to cost around £170m, the 60km subsea cable will be completed in 1996, NIE expects.

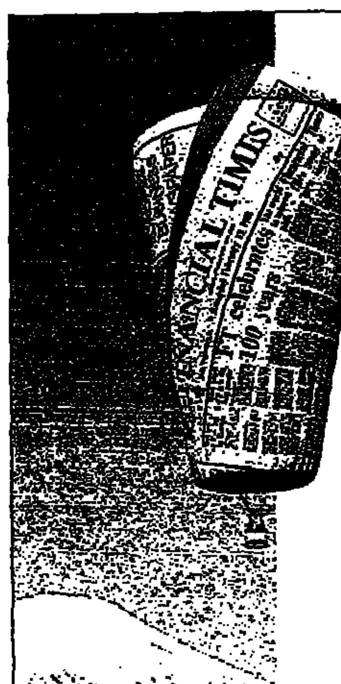
The contract was based on a variable price, which to some extent was linked to the price of electricity in the pool, or spot market of England and Wales.

The agreement, which was welcomed by Mr Richard Needham, Northern Ireland's minister for the economy, also gives NIE access to the electricity grid of England and Wales.

This will mean Northern Ireland's electricity prices should move closer to those in England and Wales, said Sir Desmond Lorimer, chairman of NIE, yesterday.

NIE is due to be split up and privatised in stages between now and April 1993. Bids have already been received for the company's four power stations, which will be sold off to private sector buyers by next April.

The remaining transmission, distribution and supply company, which will be floated before April 1993, will own and operate the interconnector.



Back on the road to recovery at Kamaz

Anthony Robinson reports on the rebirth of the Soviet truck-maker as a capitalist-style enterprise

The dissolution of the Soviet empire is more than a question of ethnic minorities, borders and political power structures. It also raises difficult economic questions about the ownership of gigantic enterprises built to serve the entire Soviet state and financed directly from central funds.

Kamaz, by far the largest truck plant in the world, is typical of such enterprises. It was built in the early 1970s on a greenfield site at Nabarezhnye Chelni, on the banks of the Kama river nearly 1,000 kms east of Moscow. Equipped with the then latest western foundry and automotive technology, it was designed to turn out 150,000 trucks and 200,000 diesel engines every year.

Its function was to supply the entire Soviet market and generate hard currency to finance the foreign capital equipment incorporated in the plant used by exporting around 10 per cent of its production.

The neo-Stalinist party bosses led by Leonid Brezhnev who made the political decision to build the plant ignored western advice that it would make better economic sense to start on a more modest scale and build up production gradually. They wanted a gigantic plant to impress the world. In practice, the plant has never produced more than 120,000 trucks a year.

This year, output, plagued by component shortages and the general disruption of the Soviet economy, is expected to decline to around 100,000 units. With traditional export markets in eastern Europe also badly hit by the general collapse of Comecon trade, exports are expected to decline to around 6 or 7 per cent of this lower output.

Despite its current problems, however, Kamaz remains by far the largest truck complex in the world and a pillar of the Soviet economy. Its imminent re-birth as a capitalist-style enterprise – with control over its own investment and other resources and plans for joint ventures with western companies – make it potentially a key player in the transformation of the old planned economy.

The process began last year when its financial and organisational structure was formally changed to create a western style corporation with a board of directors, an executive management structure, and shareholders. The old system under which decisions on investment, wages, the distribution of the end product to "consumers" and other key functions were determined by Moscow-based ministries was changed to give greater powers to management on the spot.

The Soviet state took its "profit" by commandeering 18 per cent of the plant's production every year for which payment was made in the form of "beznalichnye roubles", essentially accounting roubles which could only be "spent" by drawing on similar blocked accounts with other Soviet enterprises for a limited range of goods.

Other trucks were delivered to major suppliers through a form of barter organised by Gosplan, the old central planning agency and other ministries back in Moscow. The job of the plant managers was simply to produce.

The first stage of the reform was the creation of 47m ordinary shares with a face value of 100 roubles each, equal to the Rbs 4.7bn original investment at 1971 prices. This includes the Rbs 1.5bn "valuta roubles" spent on imported capital equipment.

The Soviet state currently holds 57 per cent of the shares and the self-proclaimed independent republic of Tatarstan, (formally an autonomous republic of the Russian federation) on whose territory Kamaz was built, holds 13 per cent. The remaining 30 per cent are held by the 1,200 enterprises which either supply Kamaz or are major purchasers of its products.

Now the 57 per cent owned by the Soviet state is up for grabs. According to Leonid Komm, vice president and director of finance, the issue will be decided by a special inter-republican commission. Russia will retain the largest stake, but the outcome is complicated by the existence of five large subsidiary companies in other republics, including the Ukraine.

The formal ownership issue pales into relative insignificance, however, beside the exciting future prospects created by suppression of the communist party and the removal of ideological and other obstacles to the reorganisation of the Soviet economy on capitalist lines.

Last year, Boris Yeltsin, the president of Russia, visited Kamaz and brusquely told opponents of change that he supported change "so that we can live like other people in the world". The determination to make Kamaz a "normal" enterprise is strongly supported by Komm and other managers, keen to get on with the task of raising new capital, and bringing the enterprise up to modern standards.

"We're tired of being described in the western media as exotic, something like pygmies in Africa. Kamaz is not exotic, it is a normal western style company which wants to live and survive," he says.

That may be so for the future. But Nabarezhnye Chelni, which is home to the 160,000 Kamaz workers and their families, is a quintessential Soviet company town. The company, virtually the sole employer, owns 90 per cent of the flats in the serried rows of pre-fabricated blocks. The shops have the same depressing selection of fruit juice and pickles as elsewhere in the Soviet Union.

Alexander Payalnikov, official trade union representative for 16,000 workers in the main engine shop, spends much of his time making Solomonic judgments about how to distribute one refrigerator among 10 workers or trying to make sure that supplies of meat and other products for distribution in special shops within the factories are sufficient at least to satisfy the official ration card.

Under the old system the management of Kamaz, like other Soviet enterprises, had no financial resources at its disposal. Furthermore, once built, the plant, in typical Soviet style, was starved of working capital and deprived of the right to build up its own depreciation fund for the maintenance and replacement of capital equipment.

As a result, after 15 years in operation, much of the capital equipment is nearing the end of its useful life. "Building such a plant today would cost between $10bn and $12bn. So it was a good investment. Over the years, however, we probably needed Rbs 5bn to renovate plant and equipment but received only Rbs2bn," says Komm, who moved to Kamaz from the Togliatti car plant three years ago. For all his attachment to capitalist-style management, he has a portrait of Lenin hanging on his wall. "I still admire him as an organiser," he explains.

On the line at the largest truck complex in the world: Kamaz is "a pillar of the Soviet economy"

Komm's own organisational priorities, however, are very different. The first objective is to raise fresh capital. At present, Kamaz has virtually no bank debt but intends to borrow money from the fledgling commercial banking system. It also plans to issue bonds to domestic and foreign investors and raise its share capital by Rbs300m to Rbs5bn through the issue of new shares.

"We plan to advertise the share offer on TV this month and sell them by auction," he says. Kamaz workers will be offered shares at a reduced price depending on their length of service.

But as Jakob Myesin, an adviser to Nikolai Bekh, the Kamaz chairman, makes clear, a key role in bringing Kamaz up to international standards will be through joint ventures with western companies. The present Kamaz model, virtually unchanged since the first vehicle rolled off the line in February 1976, has performed valiantly on rough roads and under severe climatic conditions. It was also widely used by the Soviet army in Afghanistan.

But it suffers from three main defects. Average engine life is only 200,000 kms – the result of a combination of poor quality lubrication, poor maintenance and poor quality control during construction, this is far below western standards where engine life of 500,000 kms and above is common. Exhaust emissions are also far from meeting international standards while cabin comfort and visibility is also of a relatively low standard.

The top priority is to bring the engine up to international standards and negotiations are under way with Cummins engines of the US. Senior executives from Cummins visited Kamaz at the start of this month and a Kamaz delegation is going to the US shortly to discuss a joint venture. This could include direct investment by Cummins and production of Cummins engines both for the domestic market and for export.

Although the construction of Kamaz involved 700 contracts worth more than $1.5bn with foreign companies from 23 countries, the subsequent deterioration in east-west relations, particularly after the invasion of Afghanistan, led to sanctions which severely restricted foreign contacts.

The failure of last month's coup has swept away many of the lingering doubts over the ability of reformers to overcome the resistance to change from institutions like the communist party and the security apparatus whose powers have now been drastically curtailed.

It is now possible for western companies and investors to take a new look at companies like Kamaz which has a highly trained workforce and virtually unlimited market throughout the former Eastern bloc. At current exchange rates the monthly salary of a Kamaz worker of around 450 roubles for a six-day working week on a two-shift basis is a fraction of western levels. What is more, over the past 15 years Kamaz has built up a service organisation across the length and breadth of the country which could also serve as a distribution and sales point for a wide range of spare parts and other products.

In the midst of the turmoil through which the Soviet Union is passing, Kamaz reflects the old saying that "Russia is never as strong as it looks, but also never as weak as it seems". Those hidden strengths could well be about to re-emerge. But before they do the new rulers of Russia and the newly "sovereign" republics will have to make crucial macro-economic decisions to curb hyper-inflation and create a stable, convertible currency.

Poland, Hungary and Czechoslovakia have already taken the tough decisions required. For Russia the cultural shock involved will be great. But the reward from a more rational use of its raw material, energy and industrial base could be even greater.

Degree of approval for MBAs

By Andrew Jack

STUDYING for an MBA is worthwhile after all, according to alumni from Ashridge Management College based in Berkhamsted, Hertfordshire.

A survey, ambitiously entitled "Exploding the MBA myth", argues that graduates of its year-long course, launched in 1988, have emerged highly satisfied with their qualification.

The students felt the course had enabled them to hone equally their grasp of traditional business techniques and "softer" skills such as leadership and working in teams.

One problem is that the survey has only a small number of respondents – 50 in all, an 88 per cent response rate – from the three years that the course has been running.

Of the 62 per cent of graduates whose study sponsored by their companies, one quarter have since moved on to other jobs.

Since finishing the degree, more than a third of company-sponsored students had a pay rise of less than 25 per cent, or no increase at all. That proportion rose to about 50 per cent for self-sponsored ones.

Almost half of the company-sponsored MBAs saw completion of the course as a chance to accelerate progress into general management within their present fields. Self-sponsored students tended to look on the degree as a means of fundamentally changing their direction, transferring from specialist careers to general management.

One of the unusual aspects of Ashridge College is the stress on practical activities. Company-sponsored students carry out research projects for their employer; self-sponsored ones find "host" companies for whom they act as consultants.

Half the sponsored candidates said the recommendations in their projects had proved useful to the company and they had helped implement some of the recommendations. Only a quarter of self-sponsored students felt they had been able to help significantly implement their projects. Most students found their projects more useful to them than to the company.

Ashridge Management College, Berkhamsted, Herts.

ARTS

Idomeneo

NEW THEATRE, CARDIFF

The Welsh National Opera season-opener is a new *Idomeneo*. It marks (among other things) the return of Charles Mackerras to a work he has conducted, memorably, many times in London; the debut in the title role of Dennis O'Neill; and the first opera production of Howard Davies, the celebrated theatre director. These contributions, and others, come together in a performance of sophisticated, decisive character: there was no messing about at the New Theatre on Wednesday, no shortage of conviction about either the chosen text or the chosen staging style.

Mr Davies brings not just his immense theatrical experience to the task but a confidence about keeping music and drama in working partnership not always to be relied upon in a straight-theatre man. The show looks beautiful (designers William Dudley and Liz da Costa), moves forward with easy authority, and boasts its own distinctive stylistic signature. In an work so comprehensive in its ability to survey and sum up past, present and even future areas of 18th-century serious opera, it is no bad thing that the decor and costumes should combine elements of ancient Classical, Baroque, early-Romantic, and Oriental art.

Greek arches frame the set; the cut and colouring of costumes is richly Delacroix-like; Baroque vistas and perspectives are carefully arranged; there are fascinating Levantine details in the props and ritual routines. Each character seems to have been placed for the purposes of maximum contrast, elegant visual effect. Every arm or leg movement, every lighting change has a part in the "choreography" of the whole, and movement is constant – except when scenes come to rest in group tableaux, hardly a moment of stillness is evidenced.

The sum total is at once highly impressive and, *I felt*, frightfully arty. It is as though the producer had decided the audience was in mortal danger of being bored by the great work, and had therefore devised a thousand superior ways of gussying it up and prodding it along. For me the result, instead, was so often to shut off the dramatic oxygen supply, to drain away much of the emotional power and passion – admiration for all the skills involved was regularly mingled with regret at the absence of that piercing directness of impact which any *Idomeneo* production should seek to attain.

Strangely, Mackerras's conducting, for all its muscular propulsion and marvellous balance of voices and instruments, colours and nuances, seems to second the staging style. So often I found myself registering the width of dynamic range, the cunningly tapered decelerating of phrases, the apt placing of vocal ornament: an overall flow, a unifying grand simplicity was lacking. The version of the opera favoured here is the later (Viennese) one, with a tenor *Idamante*; unlike in the preview of the production which the WNO gave at the Proms a week ago, there were plausible cuts to keep the running time under control, though the familiar error of allotting *Idamante* his optional Act 2 rondo-aria – a long, lovely, entirely undramatic piece – was still uncorrected.

Mr O'Neill, whose Italianate tenor is now muscled for opera of a much later, broader kind, lavishes heartfelt seriousness on the title role without persuading me that he is fully suited to it. There is a lachrymose, maundering note to the performance that renders one insufficiently grateful for its many good points; he huffs and puffs his way through the semiquavers of "Fuor del mar", bravely but uncomfortably.

Suzanne Murphy's Electra is sometimes gusty, sometimes strikingly bold – Mr Davies, in a rare passage of dramatic misjudgement, forces on her a skittishness of demeanour during the Act 2 love-reverie that sits unhappily on the singer's handsome face and frame. John Mark Ainsley's Idamante, a touch overparted in places, produces so much fine, gently affecting Mozart singing that one looks forward to his further growth in the part.

The one feature of the performance for which I can summon unqualified enthusiasm is the Ilia of the young Rebecca Evans. This is her first big assignment on the professional stage (she comes as a late replacement for the ailing Amanda Roocroft), and it is taken with astonishing accomplishment – long-breathed phrasing, bright attack, a sweetness of personality that does not exclude regal dignity. More variety in colour is needed, and will doubtless be acquired; but whatever affecting qualities the performance as a whole possesses are largely her doing.

Max Loppert

Rebecca Evans and John Mark Ainsley

Kamakura culture shock

Patrica Morison admires samurai sculpture at the British Museum

If the Buddhist sculptures from Japan which this week went on show at the British Museum could speak, they would surely complain of serious culture shock. *Kamakura: The Renaissance of Japanese Sculpture 1185-1333* has brought to London some 40 medieval statues, some over life-size, many dislodged from temples where they are are used to basking in incense and the chanting of mantras. So zealously do the abbots guard their holy images that I have been told some cannot even be dusted.

Kamakura is part of the Japan Festival and it is free – remarkably, given how costly it must be to transport these fragile sculptures, made out of hollowed wood. Almost every one is designated as Important Cultural Property. The still higher grade of National Treasure was awarded to Kongara Doji, a sensuous youth with thick black curls carved by Unkei, the greatest master among the temple sculptors of the Kamakura era. The British Museum has very close links with Japan. No doubt the arrival of so many deities, enlightened beings and temple dogs has something to do with the group of BM treasures which toured Japan last year, to rapturous acclaim.

Kamakura is a city a couple of hours by train to the south of Tokyo. In 1185 the clan-leader Minamoto and his warriors finally defeated their rivals in a sea-battle and established the first samurai government, moving the seat of power from Kyoto to Kamakura. The new samurai rulers were devout Buddhists, susceptible to the teachings of the Zen sect which was introduced at this time from China. In the civil war some of the most celebrated monasteries had been put to the torch, and these were now lavishly rebuilt. Workshops of sculptors flourished, above all at Nara, and gave rise to a style which is often chunky, vigorous, and with a human quality which is instantly appealing.

To many people, Buddhist sculpture conjures up a dreary prospect of a melée of blandly smiling deities, some with multiple arms, seated on elephants and lotus-flowers. But Kamakura period sculpture can be quite different. Part of its appeal lies in the innate warmth that wood has as a medium. Although all these sculptures were originally painted or covered in gold leaf the ornate decoration has now faded to patterns of subtle beauty or fallen off altogether, leaving the grain of the wood and the mark of the chisel. It is the same story as contemporary Gothic sculpture: we are not getting it at anything like the full strength – and perhaps would like it a good deal less if we did.

Two splendidly vigorous figures sit at the entrance to the show, one unfurling a scroll, the other glaring at his writing-tablet with his paint-brush poised. They come from the Hoshakuji Temple near Kyoto, where they normally guard Emma-O, king of Hell. Their scowls are monstrous, as well they might be, for their duty is to keep a tally of our sins for Judgment Day – a concept thoroughly at home in medieval Christianity. And yet, despite their distorted features, the pair are not devils as they would be in the western tradition. They have the powerful bodies of samurai warriors, clothed and shod for action with their pantaloons tucked into soft riding boots.

Like all these sculptures, Gusho Shin and Anketo Doji have eyes which are uncannily human. The eyes are made of crystals set into the head, with pieces of silk or paper held behind by bamboo pins to make the irises. The effect is disturbing, rather like the glass eyes of a teddy bear. You can even see blood-vessels in the eyes of the huge statues (over 10ft high) of the Kongo Rikishi, a ferocious pair of temple guardians. In medieval Europe, writers were partial to stories about holy images which spoke or wept. A chilling 12th-century French story records that a statue of the Christ Child snatched a boy's lunch out of his hand in church, remarking that he would shortly be eating the bread of heaven. What would a western cleric have thought of the contemporary "idols" by masters like Unkei and Kakai, so life-like that in the gloom of a temple believers might well have thought the images lived?

The most surprising feature of this exhibition is its beautiful portrait-sculptures. One of them may even have been made while its subject, the priest Chogen, was still alive. Chogen was an important figure, who worked as a fund-raiser for rebuilding the vast Todaiji Temple at Nara. Here, it seems, we have the likeness of an important 12th-century religious figure, with his corrugated brow, mouth turning deeply down at the corners, and eyes rather askew. A lifesize sculpture of the missionary priest Shinko is completely black but if you look closely (the lighting is not all it might be) you can make out that old ascetic's right eye is almost closed and his chin is twisted, as if he had suffered a stroke. It is a compelling visual document – if only we had its like for a St Thomas Becket or St Thomas Aquinas!

The exhibition catalogue is a good guide to who's who in the Buddhist pantheon but it does not answer many questions about contemporary aesthetics. Did anyone comment on this striking development of religious portraiture, something so alien to western monastic tradition, in which mere bodily appearance was held to be trivial? In some cases, the portraits are both highly realistic and yet imaginary, for example, in the delightful 14th-century statue of the infant Shotoku, who as Prince Regent had established Buddhism in Japan in the 6th century. Quite as much of a child prodigy as Christ, he is shown by the sculptor at the age of two when he turned to the East and pronounced the formula "I trust in Buddha".

If I have one favourite, it is the imaginary portrait of Minamoto Yoritomo, the Shogun. This has to be one of the great images of worldly authority even though the warrior is seated on the ground, a pose unimaginable for a ruler in the west. A relatively small statue, the Shogun in his high hat seems to be positively blown up with pride, his pantalooned lower legs forming two billowing ellipses in front of him. It is a stunning mixture of realism and formalism, a high point in an exhibition which is not simply beautiful, but brings to life the great era of samurai Japan.

Minamoto Yoritomo the Shogun: wood, 2nd half of the 13th century

Measure for Measure

THE OTHER PLACE, STRATFORD-UPON-AVON

The Other Place transforms itself into 19th-century Vienna for Trevor Nunn's precise, deliberate production of *Measure for Measure*. The play has been slowed to over three and a half hours of difficult closet drama, psychologically intense and emotionally exacting. It is an extremely fine account of the play.

Nunn has succeeded here by avoiding grand theory about either the "problem play" status of *Measure for Measure*, or about the problems it presents. His production offers a set of intractable debates between Justice and Law, Will and Reason, Mercy and Principle; it knows that perplexity about its issues is neither ignoble nor easily won. Moreover, the baffling clemency for Angelo at the end must be reached by something other than the creaky denouement; it must work personally and emotionally.

The detail and meticulous timing which typify Nunn's Shakespeare are made to seem apt for every character – not just for the "precise Angelo" – allowing the issues here to emerge from the interaction of distinctly created individuals. This careful psychological approach is clear in the unexpected but wholly natural prominence of Escalus alongside Angelo, Isabella and the Duke, Vincentio. Allan Mitchell as Escalus is not only the still sane centre of a concupiscent Vienna, but has a certain saving grace of coarseness; he understands yet never colludes with the bawds and tapsters he has to deal with. His wonderful performance is full of tact, strength and subtlety.

Alongside him, Philip Madoc plays Vincentio as a prurient, muddy pragmatist who needlessly prolongs everyone's agonies and seems most at home when least thoughtful; Madoc, all worry and distraction, makes the process of reestablishing a law tempered by justice into a bungled, contingent affair. If the play fails to persuade us that it should be developed and ended as it is, Nunn's explanation lies in the Duke's demeanour.

The evening turns on the moment when Isabella – thinking her brother dead – has to kneel for Angelo's life (Peter Brook regularly stopped the play for two minutes while she decided). Here, the pause is electric. Claire Skinner's Isabella is an extremist who learns how to think pragmatically when suing for her brother's life, and poetically when pleading for Angelo's.

David Haig's Angelo is a volatile, proud man at odds with his sexuality. He is also unpredictable: he finds comedy in his hypothetical propositioning of Isabella, then an escalating viciousness at her refusal. A taut soliloquy-confession from a couch reminded one that this was, after all, Freud's city.

The barred set recognises that so much of the action takes place in jail. Everywhere, the acting carries the play's concerns into the smallest exchange. Roger Hyams as the louche Lucio, Sidney Livingstone as the upright Provost and Desmond McNamara as a befuddled Elbow are particularly good in those prison scenes; and Peter-Hugo Daly acts Pompey as a chirpy opportunist fitted for any environment.

This is a fresh psychological approach which marshals the play's energies not so much to prove how difficult its plot or its moral dilemmas can be, but by showing how difficult people can be. It calls up the world of the Sonnets: "For sweetest things turn sourest by their deeds; Lillies that fester smell far worse than weeds."

Andrew St George

Alastair Muir

Claire Skinner as Isabella

Oh Hell!

LYRIC STUDIO, HAMMERSMITH

Here is a thoroughly entertaining American double bill which plays around with hell and comes out rather well.

Under the joint title, *Oh Hell!* the first is a one man show written by Shel Silverstein and performed by Steve Frost about a gambler and blues singer who loses his soul to the devil and periodically wins it back again. *The Devil and Billy Markham* is a spoken ballad, versatile both in its writing and in Frost's playing. As a piece on its own, it is not much more than a *jeu d'esprit* which leads nowhere. As part of the double bill, however, it leads very neatly into the more intriguing *Bobby Gould in Hell* by David Mamet.

This is a light piece, too. Mamet's is a liberal hell, manned by trades union officials and bureaucrats who keep their eye on the clock and would prefer to be going fishing or reading *Freak* magazine to dealing with the new arrivals. Still, they do their job up to a point.

Bobby Gould, when he enters the waiting room in dressing gown, pyjamas and slippers, declares himself a good man or at least a "straight B minus sort of man". All he has done is to threaten to stick a toaster up his girl friend. When the girl friend arrives as well, we learn that she is not perfect either. She bores the devil's interrogator to distraction. There is a show of male unity that the girl must go, and indeed in the end everyone is released, though not without twists along the way.

This is a witty, zany play, full of theatrical tricks down to the use of fireworks and corny jokes. It falls into no obvious pattern, but provides a great deal of fun and some thought. Is Bob Gould a good man or not? Steven O'Shea in his waders and fishing gear is a splendid interrogator and Martin Sadofski as his assistant catches to perfection the well-enough intentioned, but sub-intelligent bureaucrat. It was clever of the Mandrake Theatre Company to bring the double bill to London for the European premiere.

Malcolm Rutherford

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

After a dearth of music over the summer, Paris celebrates the start of a new season with a burst of activity over the next two weeks. Tonight, the Opéra Comique hosts a new production of Donizetti's La Favorite, conducted by Arturo Tamayo and staged by Pierre-Jean San Bartolomé, with Katherine Ciesinski and Constance Fee singing the title role in alternate performances (also Sep 22, 24, 27, 29, Oct 2).

The Opéra Bastille unveils its first new production of the season next Wednesday: Idomeneo will be conducted by Myung-Whun Chung and staged by Jean-Pierre Miquel. Thomas Moser and Keith Lewis alternate in the title role, with Inga Nielsen and Carol Vaness as Elettra (12 performances till Oct 26). The Châtelet's main early-season offering is a new production of Lulu, opening next Friday (also Sep 30, Oct 4, 6, 9, 12). It will be conducted by Jeffrey Tate and staged by Adolf Dresen, with a cast including Patricia Wise, Brigitte Fassbaender, Graham Clark, Hans Hotter and Wolfgang Schöne.

There is also a plentiful concert choice. After a triumphant tour to Europe's other musical capitals, the Orchestre de Paris and its chief conductor Semyon Bychkov return to the Salle Pleyel next Thursday for three concert performances of Mozart's opera La finta giardiniera, with a cast led by Charlotte Margiono, Catherine Dubosc and Kurt Streit. The Palais Garnier and Théâtre des Champs-Elysées both start the season in the hands of period performance specialists. At the Champs-Elysées, Philippe Herreweghe conducts sacred music by Mozart and Mendelssohn (Sep 27), while Frans Brüggen presides over a weekend of Mozart performances (Sep 28/29) at the Palais Garnier with the Orchestra of the 18th Century.

In New York, the Metropolitan Opera reopens next Wednesday with a gala celebrating 25 years at Lincoln Center. James Levine will conduct staged acts from Rigoletto, Otello and Die Fledermaus. The repertory in the opening week includes Don Giovanni, Un ballo in maschera, Die Zauberflöte and Idomeneo. New productions this season are La fanciulla del West (Oct 10), L'elisir d'amore (Oct 24), the world premiere of John Corigliano's The Ghosts of Versailles (Dec 19) and Elektra (March 26).

Bonn hosts two unusual drama events over the next week: Susan Sontag's play Alice in Bed will be premiered tomorrow at the Werkstattbühne, while John Le Carré's play End Station - a psychodrama written in 1972 but never performed - will receive its first staging at the Güterbahnhof on September 28.

EXHIBITIONS GUIDE

BASLE

Kunstmuseum Swiss Drawings 1800-1850: a selection of the best work of the period, in which Swiss artists were searching for their own path between the Romantic school in Paris and the circle of German artists in Rome. Ends Oct 27. Also 20th century drawings from the Burckhardt-Koechlin Foundation, including work by Picasso, Alberto Giacometti, Modigliani, Dubuffet, Ernst and Beuys. Ends Dec 8. Closed Mon

Museum für Gegenwartskunst Emanuel Hoffmann Foundation 1980-90: recent acquisitions by Basle's major patron of modern art, with work by Beuys, Nauman and many others. Ends Nov 25. Closed Mon

BERLIN

Agyptisches Museum Twilight of the Pharaohs: an exhibition reuniting the collections from East and West Berlin, and celebrating the discoveries and research of the 18th century Egyptologist Jean-Francois Champollion. Ends Oct 20. Daily

Altes Museum (Gemäldegalerie) Rembrandt: the biggest exhibition ever mounted of the Dutch master's paintings and drawings, taking into account latest research on attribution. 50 unquestioned Rembrandt paintings are on view alongside 40 others now reattributed to his pupils. There is also a parallel showing of etchings. Ends Nov 10. Closed Mon and Tues

Schloss Köpenick Rosenthal porcelain: a collection of work by one of the leading early 20th century German porcelain manufacturers, tracing developments in design from Jugendstil to the 1940s. Ends Jan 5. Closed Mon and Tues

BIELEFELD

Kunsthalle Picasso's Surrealism 1925-37, with more than 100 paintings, drawings, water colours, prints and sculptures from the artist's surrealist period, drawn from public and private collections around the world. Ends Dec 15. Closed Mon

BONN

Rheinisches Landesmuseum John Heartfield: centenary retrospective of the Berlin-born photomontage artist, known for his life-long Communist beliefs. Ends Nov 3. Closed Mon

FRANKFURT

Schirn Kunsthalle Picasso, Miro, Dali and the origins of modern art in Spain: an exhibition, mounted with the help of the Museo Nacional in Madrid, tracing the development of Arte Nuevo from 1900 to 1936. Ends Nov 10. Closed Mon

LONDON

Barbican A New Wave: contemporary Japanese oil paintings. An exhibition drawn from numerous Japanese exhibiting societies, demonstrating deep-rooted Japanese artistic inspirations, expressed in a purely western medium – oil paint. Ends Oct 8. Daily

October Gallery Swiss Artists in Britain 1991: paintings, sculptures, drawings and collages by a group of Swiss artists currently working in Britain. Ends Sep 28. Closed Sun and Mon

Royal Academy The Pop Art Show: the icons of Pop from London and New York in the 1950s and 1960s, with work by Hockney, Rauschenberg, Warhol, Jasper Johns and many others. Ends Dec 15. Daily

Tate Gallery Turner's Rivers of Europe: The Rhine, Meuse and Mosel. An exhibition focusing on Turner's tours to the Low Countries and the Rhineland in 1817, the 1820s and 1830s, including many little known watercolours, some of which are on public view for the first time. Oil paintings, sketchbooks and colour studies are included, as well as engravings after Turner's designs and a series of 60 small gouaches on blue paper. Ends Jan 26. Also William Blake: 150 watercolours, drawings and engravings from the Tate's fine collection of work by the English visionary poet and painter. Ends Nov 2. Daily

Victoria and Albert Museum Visions of Japan: a glimpse of the complexities of Japanese life in an exhibition devised by the internationally renowned architect Arata Isozaki, who has commissioned three colleagues to present their individual visions of Japanese culture and lifestyle in the past, present and future. Ends Jan 5. Also Schinkel: A Universal Man, an exhibition devoted to one of the greatest classical architects of the 19th century, with paintings, architectural drawings, furniture, sculpture and silver from the Schinkel archive in Berlin. Ends Oct 27. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Matta: a major retrospective of the Chilean-born surrealist who now lives in Italy and is shortly due to celebrate his 80th birthday. The exhibition, drawn from public and private collections worldwide, includes 50 oils, 34 drawings and one sculpture. Ends Nov 11. Daily

NEW YORK

Metropolitan Museum of Art Seurat: a major retrospective marking the centenary of the artist's early death, including 185 paintings and drawings, mounted in co-operation with the Musée d'Orsay in Paris. Also Neo-Impressionism, the friends and followers of Seurat: 70 paintings, drawings and prints by Pissarro, Signac, Matisse and others, drawn from the Museum's own collection. Ends Jan 12. Closed Mon

Museum of Modern Art Guillermo Kuitca (b1961): an exhibition of recent works by the Argentine artist whose imagery includes beds, stage sets, floor plans and road maps. Ends Oct 29. Also Lee Friedlander: Nudes. A selection of 50 photographs of female nudes ranging from intimate portraits to abstract figure studies. Ends Oct 8. Closed Wed

PARIS

Musée Picasso Picasso, Jeunesse et Genèse: more than 100 early works from the years 1893-1905, some of which are being shown in public for the first time, including family and self-portraits, caricatures, symbolist and naturalistic works, as well as paintings on religious and erotic themes. The exhibition underlines Picasso's exceptional early talent, his solid formal training and his eclectic use of the artistic currents flowing into Barcelona from northern Europe at the turn of the century. Ends Nov 25. Closed Tues

Musée d'Art Moderne El Lissitzky: 200 works, many lent by the Tretiskov Gallery in Moscow, offering a retrospective of the Russian constructivist (1890-1941), a major figure of the avant-garde at the time of the 1917 Revolution. Ends Oct 13. Closed Mon

Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and VersaillesSTUTTGART

Galerie der Stadt Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. The exhibition brings together more than 350 paintings from galleries and private collections around the world. Ends Nov 3. Closed Mon

VIENNA

Albertina Italian drawings: 150 works from the Albertina's own rich collection, ranging from the late Middle Ages to the 18th century. Ends Nov 3. Also Bela Uitz (1887-1972): an exhibition of drawings from the period 1913-25 by the Cubist-influenced Hungarian who was a leading member of the artistic avant-garde in Budapest in the early 20th century. Ends Nov 10. Daily

WASHINGTON

National Gallery Rembrandt's Lucretias: a juxtaposition of two related masterpieces, one from the gallery's own collection (1664) and the other from the Minneapolis Institute of Arts (1666). Also Innovative Art from Graphicstudio: a survey of 90 prints and sculptures produced during the past two decades by 24 American contemporary artists at the Graphicstudio workshop in Florida. Ends Jan 5. Daily

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Competition in gas

THIS WEEK'S decision by British Gas to restrict the amount of gas it will make available for power generation threatens to scupper the government's plans for more competition in the electricity generation market. It may also hasten the day when this privatised near-monopoly is broken up to make competition in gas supply a reality.

British Gas's decision was aimed at ending a six-month row over the cost of gas supplied to the electricity generation market. This blew up in March when British Gas raised its prices by 35 per cent to choke off demand from companies wanting to build gas-fired power stations in the UK. The new prices would have made the projects uneconomic, and left the generators to scramble for supplies from the oil companies which control less than 10 per cent of the market.

What added insult to injury was that British Gas appeared far from even-handed in the manner in which the rises were announced. Although many companies were in negotiations over gas supply, the new price schedule was published only a few days before it was due to come into force, after British Gas had just signed up with three favoured customers at the old rate.

Mr James McKinnon, the gas regulator demanded that British Gas look again at the schedule and find ways of keeping prices closer to the old rates. And he insisted that British Gas should go on talking about supplies at the old, pre-increase price with two generators – Thames Power and a Mobil-Eastern Electricity joint venture – whose negotiations had been well advanced.

New schedule

The settlement announced on Monday by British Gas offers a new schedule with prices up by about half the original rise for all generators. However, the supply for power generation is to be limited to 1bn therms of gas a year – one-fifth of the total demand. Two days' later, it was announced that Thames Power and Mobil-Eastern Electricity had contracted to buy almost all of this gas. They would also be paid compensation in an out-of-court settlement of their claims, which competitors say will underwrite their projects.

This leaves at least 10 consortia with power project plans out in the cold, since the alternative suppliers cannot hope to satisfy all the demand from the generators. Yet there is an obvious remedy in the hands of Mr John Wakeham, the energy secretary. The apparent shortage of gas for power generation could swiftly be eased by importing gas from Norway or even further afield. The Department of Energy has been considering a request from National Power, one of the UK generators, to import gas from Norway for six months. The government is thought to be reluctant to sanction gas imports for fear that North Sea reserves will not be developed.

Bizarre silence

The Department of Energy's continued silence seems increasingly bizarre since gas imports would make a contribution to its declared aim of introducing more competition into the electricity generation market. For so long as gas imports are prevented, British Gas exerts an effective monopoly on the supply of gas for power generation. This contrasts with the government's willingness – rightly – to take away the monopoly power the National Union of Mineworkers exerted on power generation by opening up the UK to coal imports.

As for the role of British Gas, the affair demonstrates the need to introduce a greater degree of competition to gas supply in the UK. The idea that one dominant supplier should ration the supply of a freely available commodity effectively to customers who had the gumption to sue the company demonstrates the arrogance of market power. The Office of Fair Trading is believed to have recommended a partial breakup of British Gas in a report now under consideration by Mr Peter Lilley, the industry secretary. With the European Commission moving to liberalise the import and export of gas across the EC, the government would be wise to anticipate the trend and put the UK industry in a stronger position to expand across the channel.

Out of season

ONE WORD is all it took. If the governor of the Bank of England had avoided the word "confident" is his sober speech in Birmingham on Wednesday, and substituted something a little more conditional, like "we can all hope", how different the response would have been. The Conservative election machine would not have seized on his speech as propaganda, the Labour leadership would not have reacted to the propaganda rather than the speech, and we would not be remembering the much more controversial words of a former governor, Lord Cromer, almost on the eve of poll in 1970.

Does all this matter in the least to anyone apart from the politicians? Not much. The government may embarrass him again, but the governor will have learned to watch every comma in this hypersensitive season.

His actual message, that it was time to turn his full attention back to price stability, was unchanged and unexceptionable. Any marginal fiddling with interest rates which may still be possible within the ERM constraint will in any case make little difference to the outlook.

This is in fact mildly discouraging, as the markets seemed to understand: equities fell quite heavily yesterday morning, before recovering on some better corporate news. Indeed the chancellor, who has been talking recovery steadily since he took office 11months ago, might learn another lesson from the markets: that nobody is much impressed with forecasts too often repeated.

Iraq at bay

PRESIDENT BUSH'S demand that Iraq should allow the UN to inspect and destroy its nuclear, biological and chemical weapons programmes ought to be unequivocally supported by other members of the UN Security Council and the world at large. The American threat of force is not, as President Saddam Hussein would have it, a gratuitous outburst of imperialist pique. It is the logical sequel to the Iraqi invasion of Kuwait, the UN resolutions which followed Iraq's defeat, and President Saddam's systematic attempts to flout those resolutions.

There would be no need for sabre-rattling if Iraq had complied in a dignified manner with the letter and spirit of the ceasefire provisions which call for the destruction of its ballistic missiles and unconventional weapons. Far from co-operating with UN inspectors, Iraq has hindered them at almost every turn and lied about the country's nuclear programme and other military capabilities. Iraq's refusal to allow the UN officials unconditional use of German helicopters for their arduous work was only the last straw. According to the UN commission responsible for destroying Iraqi weapons, the Iraqis have even reassembled Scud missile launchers which had been dismantled in accordance with the ceasefire. Many Scud missiles are unaccounted for.

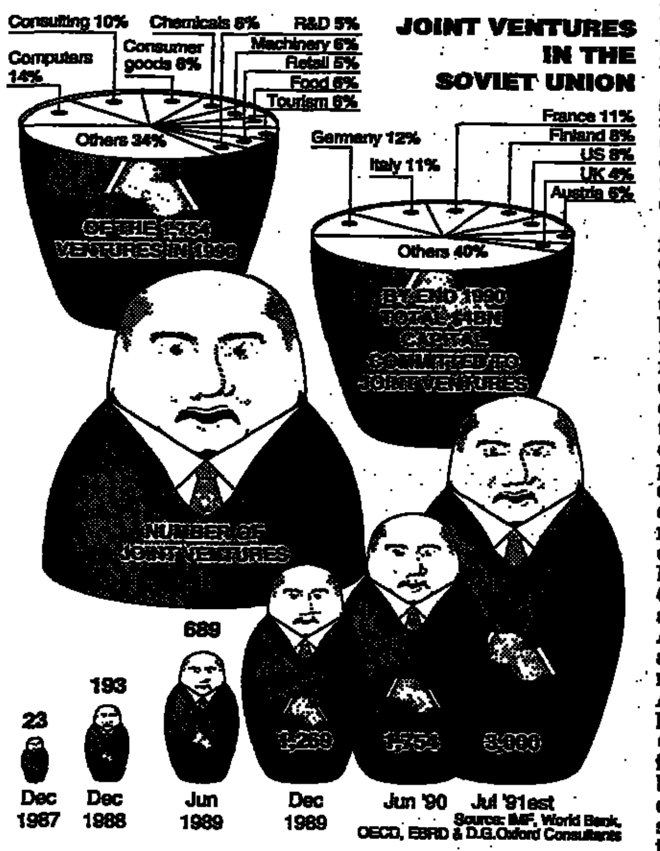
Justified concern about poverty and hunger in Iraq must not divert attention from the need to winkle out and destroy Iraqi weapons in accordance with UN instructions. The UN Security Council yesterday authorised the sale of $1.6bn of Iraqi oil, partly for the purchase of food and other essential supplies, and it is up to the Iraqi government to take on the unfamiliar task of helping its own citizens by co-operating with the UN.

No one relishes the idea of going to war again to enforce Iraqi compliance with UN demands, but the unhappy truth is that violence (or the threat of it) carries more weight with the Iraqi leader than anything else. Such information as has emerged about Iraq's nuclear, chemical and biological facilities is attributable to international pressure and the diligence of UN inspectors, not Iraqi goodwill.

Mr Bush is now wholeheartedly supported in the Security Council by what remains of the Soviet Union, if not by China. He is virtually obliged to pursue his present course. To allow President Saddam "to brush off the UN inspectors like flies off his sleeve" (a simile used by an official of the International Atomic Energy Agency) would be to betray the principles of international law and order on which the Gulf war was fought.

Peter Marsh on western interest in joint ventures in the Soviet Union

Marriage contracts



Talk of the enormous problems facing the Soviet economy cuts little ice with Mr Michael Smither, a top executive at H J Heinz, the US food company.

Yesterday he was in Moscow, finalising a contract to build a $15m baby-food factory in Georgiyevsk in the Russian republic, a project that will introduce Soviet infants to mass-produced dried cereals flavoured with apple. Mr Smither, Heinz's director of east European operations, believes his factory will be among many joint ventures agreed by western groups over the next few years.

But in the short term uncertainties abound, as the newly empowered Soviet republics seek to introduce western-style reforms into a rapidly deteriorating economy. "Things are evolving, but in a chaotic manner," says Mr Peter Danylow, a Soviet expert at the Federation of German Industry, an employers' group.

As international companies shape up for what some argue is their biggest single expansion opportunity since the second world war, the following points will shape business developments:

● Company attitudes. The lack of Soviet infrastructure and markets requires a long-term view on the part of western companies, coupled with a willingness to build up contacts at republican, local and individual factory levels, now that the old system of centralised ministries and trading companies has disintegrated. Metallgesellschaft, the German engineering, metals and minerals group which has built about 80 processing plants in the Soviet Union over the past 50 years, has 20 people in the country. They are studying what Mr Heinrich Binder, the corporate development director, says is an "endless" list of possible joint ventures – including schemes to convert Soviet military factories to make components for industrial machines.

Mr Binder says the new climate, in encouraging business links with local groups, is "helpful in the long run, as we should be able to assess projects more quickly and clearly".

For Imperial Chemical Industries, Britain's biggest manufacturer, which has traded with the Soviet Union for most of this century, the switch to local accords recently paid off in the notoriously inefficient farming sector – which accounts for about a fifth of Soviet gross domestic product.

ICI, which has had a Moscow office, now 20-strong, since 1978, has set up a joint venture with 300 Ukrainian farms. After spending several years forging contacts with a farmers' group near Kiev – the 40 Years of October Collective Farm – ICI has taken a 50 per cent stake in a new company which will use western ideas in areas such as pesticides to improve crop yields.

Another instance where the recent switch to local initiatives appears to have had a positive effect concerns Tambrands, the US tampon maker which two years ago set up a $10m factory in the Ukraine. Although production has gone smoothly, Tambrands' plan to earn hard currency profits through exporting raw cotton from the Soviet Union to its factories in western Europe was thwarted by bureaucratic tangles involving Moscow and the Ukrainian authorities. Tambrands has often been unable to gain the necessary customs clearances for the cotton, leaving its profits to accumulate as a largely worthless stock of roubles.

But in recent months, the company has exerted more pressure on the Ukrainian authorities to use the political muscle they acquired after the abortive coup last month to issue the necessary documentation. Mr Paul Konney, a Tambrands vice-president, says the Ukrainians "have been more confident to act by themselves".

● Commercial focus. Companies are likely to increase their chances of success by concentrating on ventures aimed at producing specific types of low-cost goods in short supply, or on areas where the incorporation of western technology can add value to a reasonably promising Soviet industry. Increasing the efficiency of food manufacturing is one obvious opportunity.

The Swedish group, Tetra Pak Alfa-Laval, is already active in this area through three joint-venture plants in the Soviet Union which produce food-packaging materials.

Huntsman Chemical, a privately-owned US chemical and industrial products company, has 400 employees in the Soviet Union in fields including manufacture of disposable cups, petrochemicals and concrete blocks for housing. In each case, says Mr Peter Huntsman, a senior vice-president, the chosen areas had obvious internal markets, and opportunities existed for re-investing roubles profits into new Soviet production plants rather than out of the country.

In some cases, the Soviet Union may have production expertise which can be upgraded by western know-how. One example concerns power engineering where, the Soviet Union has a large and respected steam-turbine producer in the shape of Leningrad Metal Works. Companies such as General Electric of the US and the Swedish-Swiss Asea Brown Boveri have been discussing the possibility of joint ventures with this group in which they could add complementary, and more modern, gas-turbine technology.

● Internal politics. Opportunities for business ventures may well hinge on the competence of the new, democratically elected local authorities which are likely to replace the old, centralised structures.

A case in point is the oil industry, which desperately needs modern western equipment and managerial methods to improve efficiency and cut enormous waste and pollution. The Soviet Union is the world's biggest oil producer, yet the industry is stricken with obsolete technology, shortages of spare parts and severe bottlenecks in distribution and processing. In the most important collaborative deals under discussion, Amoco and Chevron, two big US oil groups, are separately negotiating large oilfield exploration and production projects in Azerbaijan and Kazakhstan. In both cases, the negotiations have dragged on for four years, as the republics and the central government authorities argued over vexatious issues such as the legal rights of the companies to ownership of land and resources, and the terms on which they would be able to take profits out of the ventures by exporting oil for dollars.

Both companies are now guardedly optimistic that the apparent dissolution of much of the power of the central government will leave the two republics more room to manoeuvre in reaching deals.

● Infrastructure. If the money for investment can be found (possibly via loans from international monetary agencies) there is an enormous potential business in areas such as roads, railways and telecommunications networks. A big disincentive to business operations at the moment is that the Soviet Union has just one telephone line for every 10 people, compared with one for every two people in the developed world. International communication is especially difficult because the whole country has just 750 outgoing lines. Over the past two years, AT&T and US West of the US, and Australia's OTC, have announced plans to build international exchanges in Armenia, Kazakhstan and Moscow.

● Economic aid. One idea favoured by many western businessmen is to enhance existing credit guarantee schemes organised by the main industrialised countries. This would mean that companies working in the Soviet Union would be sure of receiving payment irrespective of the finances of their local partners.

The broad idea of technical assistance projects, involving the transfer to the country of hundreds, if not thousands, of western advisers in the area of industrial restructuring and training is also backed by many. Mr Leonard Gueron, an Oxford-based economic consultant who advises Japan's Ministry of International Trade and Industry on Soviet business opportunities, says the west should provide this kind of aid, if only to stave off the possibility of the Soviet economy collapsing.

Many companies believe, however, that the issue of economic aid is peripheral to the central question of the kind of commercial structures that are ultimately decided on by the region's newly emerging political authorities. It seems likely that this question may remain unanswered for many months. Mr Smither, the Heinz executive, takes a cautiously positive stance: "The Soviet Union has gone a million miles in a short time. Although there will be instability and pain ahead, it is now on course to realise its true place in the world."

Additional reporting by Andrew Baxter, Hugo Dixon and John Thornhill

Well within his rights

Peter Norman on the furore over Robin Leigh-Pemberton's speech

A close colleague once marvelled how Mr Robin Leigh-Pemberton, the governor of the Bank of England, was blessed with an "inner peace" that seemed to sustain him through difficult times.

The governor must be especially thankful for this gift as he surveys the extraordinary political row that has erupted since he told an audience of businessmen on Wednesday that the British economy was "undeniably improving".

Those remarks, and Mr Leigh-Pemberton's expression of confidence that "we are now coming out of recession", have prompted furious Labour charges that the governor is the creature of Conservative Central Office.

Mr John Smith, the shadow chancellor, yesterday issued what many saw as a veiled threat against Mr Leigh-Pemberton when he said "he may regret the fact if he gets pulled into the party political fray". Mr Peter Hain, Labour MP for Neath, was blunter. Mr Leigh-Pemberton, he said, "must be replaced in the first week after Labour wins the election".

But is the governor really acting, as Mr Hain claims, "as a paid-up member of the Conservative pre-election campaign"?

If the actual content of his speech, the constitutional position of the Bank governor and historical precedents are any guide, the answer must be no.

First, the speech. Labour has objected that Mr Leigh-Pemberton put an unfairly upbeat gloss on the Bank's view of the economy. It has cited the Bank's most recent quarterly Bulletin, published in August, in which Threadneedle Street judged that the economy was "bumping along the bottom" as evidence of his unwarranted optimism.

But economies change and even the Bank's August Bulletin observed that the outlook was "more encouraging" than previously. To back his optimism, Mr Leigh-Pemberton invoked recent statistics on output, prices and wages that have emerged since publication of the Bulletin. Many other commentators have done the same.

But should the Bank governor have commented in this way about the economy, particularly at a time of pre-election fever? This question lies at the root of much of the Labour party's anguish.

Because Britain does not have a written constitution, there is no handy guide of what a Bank governor can or cannot do. But practice and precedent suggest that Mr Leigh-Pemberton was entirely within his rights.

Although final responsibility for economic policy-making and monetary policy decisions lies with the Treasury, the Bank is expected to give advice on these matters, and not just to Whitehall. Since 1960, it has published its views in its quarterly Bulletin, which has been known to be controversial in the past.

There is an even longer tradition of governors giving speeches. Many have been more trenchant than Mr Leigh-Pemberton's recent homily.

In the dark days of 1933 as slump stalked the land and unemployment soared, Mr Montagu Norman, the then Bank governor, used his Mansion House speech to the City of London to sweep aside all suggestions that the Bank should ease monetary policy. In words that seemed to capture an imperious disregard for the plight of the poor, he declared: "The dogs bark. The caravan moves on."

In the 1960s, the then Labour government of Mr Harold Wilson found itself on the receiving end of harsh and public advice from Lord Cromer, the Bank governor. With sterling having to be shored up by international credits arranged by the Bank, Lord Cromer warned in 1965 that the credits he had negotiated were "no more guarantees of our future than Dunkirk presaged swift victory in 1940".

By the time Mr Gordon Richardson took over at the Bank in 1973, it was expected that the governor should speak out on important issues. Accordingly, there was great dismay when Lord Richardson of Duntisbourne (as he became) proved initially reluctant to speak in public. For a while the Bank was known unflatteringly as "the Tomb of the unknown Governor".

But it is argued that Mr Leigh-Pemberton should not have spoken out at such a politically sensitive time. Here the governor's critics also appear on shaky ground.

There is, it is true, a convention whereby the government and the Bank as its agent do not lower interest rates during an election campaign. But – all appearances to the contrary – the campaign has not yet been joined.

The inescapable conclusion is that the row about the governor's speech is nothing more than a storm in a tea cup.

The sad part is that the furore over Mr Leigh-Pemberton's alleged support for the Conservative government has overshadowed the much more important second half of the speech in which he urged all future governments, irrespective of political hue, to fight inflation at the earliest opportunity.

He was quite open in regretting the failure of the present government to achieve non-inflationary growth in the mid-1980s. Indeed, his speech contained sentiments very similar to those recently expressed by Mr Neil Kinnock: that Britain should at all costs avoid the cycle of boom and bust once it has recovered from the recession.

OBSERVER

Property problem

■ Few of the birth pains of independent-minded Soviet republics can be as esoteric as that of Estonia's dispute over ownership of its former London legation, at 167 Queen's Gate.

Built by the architect Sir Mervyn Macartney in 1890, the 31-room mansion was Estonia's legation between 1918 and 1940. Strictly speaking, it belonged to one of the country's banks, Eesti Maapank, which ceased business after Stalin's forces occupied Estonia in 1940.

A few of the diplomats nevertheless stayed on in the legation, and for several years its bills were paid by the Estonian consulate-general in the New York.

But eventually, to the annoyance of the Estonian émigrés in both Britain and America, the consulate-general eventually decided to cut costs. It changed the ownership on the land registry from that of the Eesti Maapank to the names of two diplomats in New York, and sold the building for £2.25m in 1989.

A UK court prevented the money from being transferred to New York. It has since remained frozen in a British bank account, to be claimed by a future government in Estonia.

The country's government would now like to retrieve the building which Eerik Kross, newly-appointed representative of the Estonian Foreign Ministry in London, regards as "of great symbolic interest".

Kross is a 24-year-old historian and son of Jaan Kross, a writer of historical fiction whose name has been mentioned as a possible future winner of the Nobel Prize for Literature.

One problem is who currently owns the empty premises: his lawyers are currently trying to find out.

When they succeed, however, Kross will still have the tricky task of deciding between legal action to recover the elegant though dilapidated property, or accepting the £2.25m awaiting an Estonian claimant.

Tempus fugit

■ There are some odd omissions in the Conservative Party's glossy new campaign magazine, Transforming Britain. It offers a lavishly illustrated account of how the "sick man of Europe" of 1979 now boasts supermarkets offering "delicacies that most British people had never heard of in the '70s".

But nowhere in the roll of honour is mention of the two chancellors – Sir Geoffrey Howe and Nigel Lawson – responsible for this economic miracle.

Strangely enough, nor is there any reference to anything called a recession.

Central Office assures Observer that there is no significance in the fact that photographs of Margaret Thatcher are in black and white, whilst those of John Major in colour.

Pop pasta

■ Subtle diplomacy ensured a happy landing for Richard Branson's hot air balloon alongside Milan's multi-spired cathedral yesterday.

British diplomats quietly congratulated themselves on their brainwave of inviting Bill Turner, mayor of Milan's twin city of Birmingham, to Wednesday night's glittering party celebrating the opening of Branson's first Virgin Megastore in Italy.

Turner's presence ensured Paolo Pillitteri, his Milanese counterpart, took a personal interest in Virgin's Italian debut. Objections to the balloon flying near the cathedral, let alone landing in the Piazza Duomo, evaporated.

"I just thought of a smear so vile I need to lie down for a bit."

Branson's high hopes for the first Italian outlet of his music-store chain look sensible; customers had to be turned away when doors opened to the public.

Virgin's new Frankfurt store will soon start trading. Whether the Mayor of Birmingham – twinned also with Frankfurt – will be on hand to help the balloon steer its way through the skyscrapers of Germany's financial capital, is another matter.

Que pasa ?

■ Carl Bernstein, the US journalist famous along with Bob Woodward for his role in Watergate, is on special assignment in Argentina.

Noticias, a Buenos Aires colour magazine, has hired Bernstein to investigate the saga of the alleged involvement of President Carlos Menem's sister-in-law Amalia Yoma, in an international drug money-laundering scam.

However, the magazine's editor, Gabriel Pandolfo, ruefully acknowledges that Bernstein neither speaks nor reads Spanish. He will be assisted by interpreters and translators.

Noticias is apparently unconcerned that Bernstein's cluck (the collective noun for a group of media assistants) may frighten away potential sources. Nor does it seem bothered that Bernstein's very presence reflects poorly on the investigative resources of its own staff.

To arms

■ Patrick Gillam's retirement on September 6 from his position as managing director of BP – with which he had been for 34 years – was brief. Almost immediately he moved to take up the chairmanship of the supermarket chain Asda.

Asda's shares lost 29 per cent on Wednesday, with a turbulent day yesterday, following outgoing chairman Sir Godfrey Messervy's warning of a significant deterioration in pre-tax profits for 1991-92; Gillam's leap into the fray must therefore surely rate as a valiant act.

But the 58-year-old history graduate from the LSE is clearly interested in a good fight; among his other activities he finds time to sit on the redevelopment appeal committee of London's Imperial War Museum.

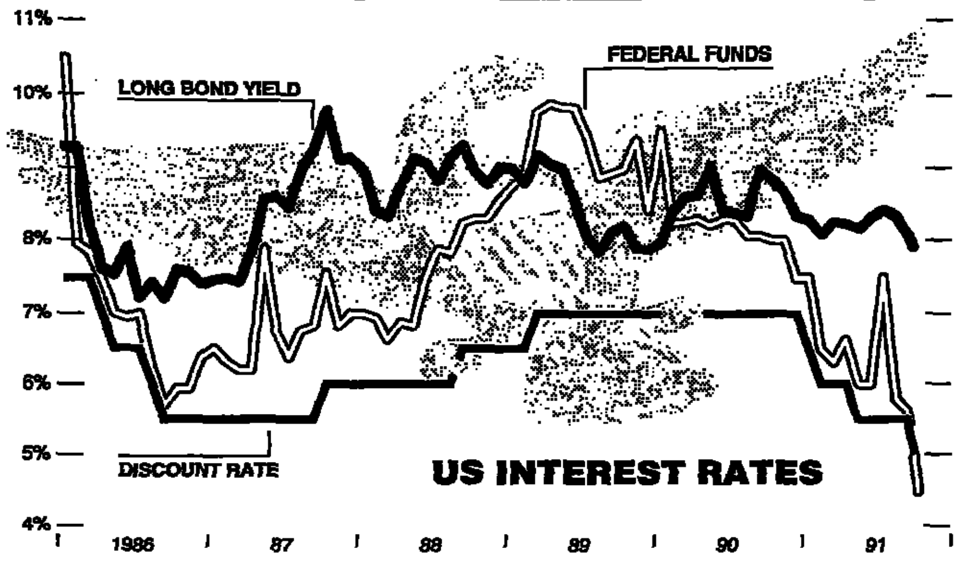
Well read

■ Observer's medal for humour in the face of adversity goes to whoever chose the books on the coffee table in the foyer of Brent Walker, the leisure group which has been in difficulties most of the past year and suffered the added indignity of investigation by the Serious Fraud Office.

Guests may scan a Prince's Youth Business Trust pamphlet on how to succeed in business and a handbook entitled "Practical Ways to Crack Crime".

Upturn that feels like recession

Michael Prowse sees reasons for doubting the durability of the US economic recovery



Source: Datastream

It is rational to be religious, the French philosopher Pascal argued, because if *God exists and you ignore him*, you are in deep trouble. If he does not exist, you lose little by being pious.

Substitute recession for God and you have the explanation for last week's half-point cut in the US discount rate, the rate at which the Federal Reserve lends to banks. The Fed's offi*cial line is that the sluggish US* economic recovery is still under way. But Mr Alan Greenspan, the Fed chairman, was keenly aware that if he failed to ease policy and the economy went down, he would face tremendous criticism, not least from the White House. If growth speeds up, on the other *hand, the latest cut can always* be reversed.

The Fed's action raises a fundamental question: how serious is the risk that the fragile recovery will fizzle out? On paper, most economic forecasts remain reassuring. Conventional wisdom holds that the recession bottomed out in the second quarter. *Most* forecasters are predicting growth of 2-3 per cent over the next year. That is low by the standards of previous post-war recoveries when growth averaged more than 6 per cent. But it is acceptable given the need to correct the excesses of the 1980s, when private and government borrowing got out of hand. Only a small minority of forecasters expects a double-dip recession, with output falling *later in the year.*

Yet sentiment has definitely changed. Much of the optimism voiced in May and June has evaporated: people's gut feeling is that growth may be depressed for longer than *expected.*

Oxford Economics, a Pennsylvania-based forecasting group, says the pervasive anxiety reflects a new and unfamiliar pattern for the American business cycle. Forecasters have grown used to deep recessions and vigorous recoveries. A mild recession followed by a sluggish upturn thus leaves economists puzzled and uncertain. In theory, they know economic statistics will send contradictory signals for some time, but every bad number (such as last week's fall in *retail sales) provokes fresh* doubts.

There are, however, concrete grounds for doubting the recovery's durability:

● The upturn has generated very few jobs since May. Non-farm employment has grown at a monthly rate of only 25,000 – a derisory figure in an econ*omy of 109m jobs.* Employment is still falling in several sectors, including construction and state and local govern*ment. In a normal* recovery, jobs would be created at the rate of about 125,000 a month. Job creation matters because it raises personal incomes and boosts purchasing power.

● The recovery is narrowly *based. Most of the positive* indicators – such as rising industrial production, a rebound in orders for durable goods and the steady advance of the Purchasing Managers' Index – relate to the manufacturing sector, which accounts for only a small portion of gross national product. Many *service industries are still in* recession.

● Monetary indicators – which are taken seriously by both the Fed and many private economists – appear uniformly discouraging. M2, the *most closely watched measure* of broad money, is scraping the bottom of its 2.5-6.5 per cent target range. The money stock has actually fallen since May. In simple terms, economists fear that a weakened banking system is not creating enough money to finance even a moderate recovery.

Taking a pessimistic view, the end of the Gulf war and the drop in oil prices prompted a temporary surge in consumer *and business confidence* in the spring. This led to higher home sales, a recovery in the car industry and a rebound in industrial production, which has been cushioned by surprisingly resilient exports. But consumption ran well ahead of subdued personal incomes and may now weaken. If demand falters, industrial confidence will decline, prompting further cuts in investment and employment.

The Fed's latest "beige book" survey of regional economic conditions, released on *Wednesday, provides further* grist for this mill. It found little evidence of a sizable rebound in consumer spending and pointed to troubling evidence that the housing recovery is losing momentum. Fig*ures for* production, meanwhile, hint at retrenchment. Output of cars fell sharply in August and seems set to fall further. Industrial production rose, but only by 0.3 per cent – the weakest figure since March.

Optimists counter the gloom with two main arguments. The *first is that the monetary data* – which have done much to undermine confidence in financial markets – are misleading. Mr Robert Giordano, chief economist at Goldman Sachs, the New York investment house, says analysts have been "seduced by the simplicity of monetarism". They look at the raw monetary data and conclude the economy must be in trouble. But M2 is heavily distorted, partly because banks are restraining the growth of their balance sheets in order to improve their capital ratios.

This has depressed deposit rates relative to returns on bonds, making money a less *attractive asset. Allowing for* this and other distortions, Mr Giordano calculates that M2 is growing at an inflation-adjusted rate of about 3 per cent, sufficient to permit a healthy recovery. He sees no reason why *US* economic growth should not approach 4 per cent over the coming year.

Some economists are also cheered by movements in corporate inventories – stocks of goods awaiting sale. When demand falls in a recession, companies react by cutting inventories sharply. Double dip *recessions typically occur* when companies start rebuilding inventories prematurely. With sales still weak they are forced to cut production again, causing the economy to sink a second time.

But the latest data seem not to indicate this pattern. Business inventories were still *declining in July, having fallen* sharply for the previous three quarters. This means the recent rise in industrial production did not keep pace with sales. Predictions of modest economic growth are based in part on the assumption that inventory liquidation must eventually stop. When this *occurs, the* economy will receive an automatic lift.

Even the optimists, however, welcomed the Fed's latest interest rate cut. Indeed the near unanimous support for action to bolster the recovery is striking. Last Friday, Mr Greenspan faced no dissension *within the Fed.* Mr Wayne Angell, a Fed governor appointed in the Reagan era who favours strong action to curb inflation, opposed a rate cut in the spring. Last week he was mute. Hawkish regional Fed presidents were among those calling for cheaper money.

But will the latest easing of policy make much difference? It should have some impact on sectors particularly sensitive *to* interest rates – such as construction. But with debt burdens high, many companies and individuals seem uninterested in loans, whatever their cost.

With inflation running at 3-3.5 per cent, the interest rate climate is, anyway, less attractive than it looks. One of the striking aspects of current monetary conditions is the wide spread between rates administered by the Fed and the cost of funds to consumers and businesses. At 5 per cent, the discount rate is at its lowest level since 1973. But banks' prime lending rate is 8 per cent and many borrowers pay substantially more. The differential – unimaginable in the 1970s – reflects the banking system's need to improve prof*itability. Long bond yields,* meanwhile, have only recently dipped below 8 per cent.

If the economy does not show more convincing signs of recovery, the Fed is likely to *march interest rates still* lower. With a prospective federal budget deficit of $340bn, cheaper money is the only policy weapon available in Washington. Lower interest rates should gradually boost confidence and economic activity. The risk of an economic relapse has undoubtedly risen, *but the best bet still remains* exceedingly sluggish growth: a mild recovery that feels much the same as a mild recession.

Joe Rogaly

Masterly Dutch mess

The Dutch government is making a fine old mess of its chairmanship of the European Community. This is excellent news for the prime minister, Mr John Major. He has reason to hope that whatever happens at Maastricht in December will leave him looking good and the Conservative party politically unscathed.

To be sure, the 12 members of the EC are expected to sign agreements on European *political and monetary union* at Maastricht. I say "are expected to" rather than "will" because the participants may fail to agree, although it is more likely that they will do a deal based on *the most that the least willing* will accept.

We should not lay all the blame on the Dutch. The EC is a permanently changing set of treaty relationships between consenting sovereign *states, supervised* by a Commission whose mastery of detail gives it inordinate influence. We may relinquish our independence of action, as with the exchange rate mechanism, but no sovereignty is *lost while the option of with*drawal remains. This loose arrangement is likely to include many more member states before it becomes more cohesive. That is the reality. The aspirations of Maastricht, which are to move towards an ever-tighter federation of the 12, run into that reality as into a brick wall.

It just happens that the revolving half-year of glory as temporary officer presiding over the process has fallen on the shoulders of Mr Ruud Lubbers, the Dutch prime *minister. No wonder he* shrugged them so eloquently after meeting Mr Major on Wednesday night. He would not attempt, he said, to gain "a full 100 per cent political union at Maastricht".

Actually, he has been attempting like mad, ever since he took over from the Luxembourg prime minister, Mr Jacques Santer, in July. There on the table was a draft agreement, written by Luxembourg. The British and French governments saw it as a workable starting point. It kept defence, foreign affairs and internal security out of the EC mechanisms, out of the Rome Treaty and away *from* the clutches of the true federalists. To British thinking, even that draft was imperfect. It extended the competence of the European Commission in every clause. But the structure of "separate pillars" of co-operation was regarded as promising.

Mr Lubbers' *government* has tried to replace the pillars with a monolith. It has let loose an unofficial, semi-completed, not-quite-agreed, pencilled-in, nudge-nudge set of proposals. These bring foreign *policy and security* under EC control. This is consonant with Dutch yearnings for a true federation; it also follows the German approach, particularly on extending the powers of the European *parliament.*

Britain has spent the past week trying to persuade the Netherlands that this is not acceptable.

The negotiations on political, economic and *monetary union* of Europe are good *news for the Tories*

Perhaps Mr Major underlined the point when he met Mr Lubbers on Wednesday. He is in a stronger position to do so *than his predecessor was. In* her latter years Mrs Margaret Thatcher was written off as a ranter on Europe. If Mr Major were to withhold consent to an amendment of the Rome Treaty on German-Dutch lines *he would do so as a willing* participant in EC affairs, who could not in conscience accept the form of political union on offer. If the election is held in November he will be free from political harm at Maastricht in December. If it is put off until next year, a reasoned defence of British interests could do him good.

The inter-governmental negotiations on economic and monetary union are even better news for the Tories. Dutch – ie: German – conditions for the introduction of a single European currency are so stringent that no British government will have to worry about giving up the pound for the Ecu until the end of the century or beyond. First, there *must* be economic convergence. Second, there must be an initial quorum of members (six, say the Germans; 10, say the Spanish) which, having achieved convergence of inflation, budget deficits and the national debt, are *willing* to accept a single currency, leaving the others to catch up. *Third, the new currency must* be managed by an independent central bank that is so independent that it out-Bundesbanks the Bundesbank. (Its directors, once appointed, would sit for eight-year terms, *unsackable the while.)*

If this Dutch draft sticks, Mr Major will be able to sign a document on Emu that allows Britain to join if it wants to, but does not commit it to do so, ever. His ever*watchful predecessor will still* object to the government's signature on a single-currency amendment to the Rome Treaty, arguing that the British will have to pay into European funds to facilitate the economic growth of the poorer members. That argument will be countered by the observation that since Mrs Thatcher left office the number of countries which pay into Community funds has grown. *By next year there* will be five. With Germany financing its acquisition of its eastern provinces and Spain bewildered at finding itself a net contributor, proposals for budgetary expansion to help the Portuguese and the Greeks may not be accepted.

Currently chairing the EC's two inter-governmental conferences, our friends in The Hague have been taking a more or less German line on nearly everything. This can hardly please the French. The Italians are distressed about *the proposals for economic* union, since their budgetary deficit rules them out of membership for many years to come. The Danes surely suspect the proposals for political union. The Portuguese are said to be worried about both. All of this may well be put right at a special pre-Maastricht "conclave" of foreign ministers plus officials called for November 13 and 14; if it is not Mr Lubbers might qualify for the post of honorary president of the Bruges Group.

LETTERS

Speed zone

From Mr Richard B Tait.

Sir, Your report (September 18) on the introduction by the London Borough of Richmond of a scheme for charging drivers on a pay-as-you-go basis and *the* article on *the* GEC-Marconi Timezone system seem to raise very serious questions of public safety.

The concept that road-users should pay a high price for using congested areas is fine as far as it goes, but the Timezone system, by charging on a time basis, encourages people to drive through such zones as quickly as possible. This surely must be an invitation to reckless and inconsiderate driving. A system based on distance covered would be a much safer alternative.

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More majority voting needed, not less, in a Community of 20-plus

From Mr David Martin.

Sir, Frank Vibert (Personal *View, September 18) asked the* right questions concerning the future European Community of 20-plus members, but gave the wrong answers – unless his real objective is to destroy the Community.

Unanimous decision-taking among such a large number of states would turn the Community into a diplomatic conference similar to the Conference on Security and Co-operation in Europe (CSCE). Although unanimity might be appropriate when deciding on whether to give new responsibilities to *the Community, it cannot* be justified for running existing policies. Giving such a blocking power to individual member states would make each and every common policy prisoner of vested interests. Even now it is difficult enough to *reform the Common* Agricultural Policy, to agree on a position in the General Agreement on Tariffs and Trade or settle a host of other matters because of the ease with which minorities – sometimes of one – can prevent a decision that affects sectoral interests of their own, no matter how costly the failure to take a decision may be for the Community as a whole.

As to the suggestion that member states should be able to opt out of decisions, does Frank Vibert really believe that individual member states should be able to apply lower environmental standards than others, or attract money-laundering by opting out of Community banking standards or apply a different external tariff? This is a recipe for what Americans call "free-loading".

If a Community of 20-plus is to be able to manage its common policies, more, not less, majority voting will be necessary, and the Commission will need to assume a more effective executive role. This in turn will require stronger powers to ensure democratic accountability to be given both to the European Parliament and, as regards their individual ministers, national parliaments. These issues *are* being addressed by the current Intergovernmental Conference on Political Union. The question is whether it will do so adequately.

David Martin,
vice-president and rapporteur on the IGCs,
European Parliament

Why South African bond issue may prove to be short-sighted

From Archbishop Trevor Huddleston.

Sir, You have reported that Deutsche Bank is to manage the first public bond issue for South Africa since 1985 (Details, International Company News). Such a move is extremely short-sighted.

The events of recent months, including the "Inkathagate" scandal, should have convinced the European banking community of the need for caution. Progress in South Africa will depend upon agreement being reached between the principal parties to the negotia*ting process of the sort* which was achieved on Saturday with the adoption of the peace accord, which it is hoped will lead to all-party talks. It would be tragic if this fragile process were to be aborted because of the premature relaxation of international pressure.

Financial sanctions – as the Commonwealth Committee of Foreign Ministers agreed in *New Delhi* a few days ago – have been "the most demonstrably effective of all sanctions". The committee will recommend to the Commonwealth heads of government meeting in Harare next month that, subject to any contrary recommendation that might be made by agreement at the proposed all-party conference in South Africa, financial sanctions, "including lending by international financial institutions like the IMF, be lifted only when agreement is reached on the text of a new democratic constitution".

I would hope that the banking community would take a responsible view and recognise that South Africa should only regain access to *international* capital markets when there is agreement within South Africa that this will assist the peace process.

The ANC has publicly urged banks not to subscribe to this bond issue, while the United Nations and the Organisation of African Unity have both stressed the importance of maintaining financial sanctions at least until there is agreement on an interim government or some other form of agreed transitional arrangements.

If this bond issue sets a precedent which leads to substantial inflows of foreign capital, it could seriously damage the prospects of agreement on a *democratic constitution. This* would be a recipe for political and economic instability.

Trevor Huddleston,
president,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

A gesture with a hollow ring for Poles seeking to visit Britain

From Mrs Ewa M Robertson.

Sir, If I were to believe everything *I read I would* assume that John Major and the British government genu*inely have the well-being of the* central and eastern European countries at heart.

Your front-page article on September 13 describes a "landmark" speech in which Major urges the European Community to admit east European states to full EC membership. What a noble gesture!

On Saturday, September 14, I collected my Polish cousin arriving for a two months' holiday with my family. The spirit *of your article, and seemingly* that of Major's speech, does not much resemble the treatment that ordinary Poles are subjected to by the British authorities in Warsaw.

Applicants in Poland for a British visa are obliged to submit their application, in English, and include 450,000 zloty (about £25) – equal to about one-third of a Polish average monthly wage. This *money is not refundable,* even if the visa is not granted.

Applicants are also subjected to humiliating questioning. In the new European spirit officials at the British embassy in Warsaw asked my relative if he was still married; whether he lived with his wife; how much his sponsors in Britain earned;what savings he had. Yet the invitation letter already stipulates that all expenses associated with his stay in Britain are covered by us.

British applicants for a Polish visa are not asked to fill forms in Polish or to pay in advance. They are also therefore not threatened with a potential loss of the fee.

Among European states only Britain, Spain, Portugal and Greece still apply restrictions on Poles. It is unforgivable that Britain will be the last European country to acknowledge the Poles' rights to free travel. Most cannot afford to exercise their new freedom of movement, but to subject those who can to prying humiliation and the enormous additional cost is *not what they should expect* from Britain.

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FINANCIAL TIMES
Friday September 20 1991

Baker issues peace conference appeal as PLO and Israeli camps show suspicion of US

Palestinians are urged to attend talks

By Hugh Carnegy in Jerusalem

MR JAMES BAKER, the US secretary of state, yesterday issued a strong appeal to Palestinians to attend a planned Middle East peace conference, as both the Palestinian and Israeli camps signalled growing disaffection with the US initiative.

Statements from the Palestine Liberation Organisation and Israeli leaders suggested that Mr Baker's six-month effort to achieve Arab-Israeli talks could yet break down over conflicting Palestinian and Israeli suspicions that Washington is biased against them.

Mr Yitzhak Shamir, Israel's prime minister, warning the US not to side with the Arabs, said Washington's conduct threatened to "push peace further away".

Mr Baker, speaking in Amman, said Palestinians had the most to lose if the conference plan collapsed. "I think it is going to be a long, long time before this bus ever comes by again," he said.

At the same press conference, King Hussein of Jordan said the only alternative was disaster for the Palestinians and for the region. Mr Baker wants a joint Jordanian-Palestinian delegation to the talks.

The two spoke out after Palestinian leaders from the occupied territories – who had met Mr Baker earlier in the week in Jerusalem – failed to appear for further talks in Amman which he had requested.

A PLO spokesman in Tunis, Mr Jamil Hilal, said such a meeting would be "useless" because assurances Mr Baker was offering on terms for the peace conference failed to meet the "minimum legitimate rights" of the Palestinians. Mr Hilal said a meeting next week of the Palestine National Council, the Palestinian parliament-in-exile, might decide not to attend the conference.

Such a decision would be met with relief by the Israeli government, which also views the US initiative with deepening disquiet after Washington's insistence on linking financial aid for Soviet Jewish immigration to the peace process.

Israel's attitude stiffened after US suggestions that the $10bn of US loan guarantees, which Israel wants to help fund immigration, would be tied to a freeze in Jewish settlements in the occupied territories. Mr Yossi Ben-Aharon, director of Mr Shamir's office, said this was an "impossible demand".

King Hussein of Jordan greets US secretary of state James Baker on Mr Baker's arrival in Amman yesterday

UN allows Iraq to sell $1.6bn of oil

By Michael Littlejohns, UN Correspondent, in New York and **Lionel Barber** in Washington

A PLAN allowing Iraq to sell up to $1.6bn worth of oil and oil products to pay for food and medicines was approved yesterday by the United Nations Security Council.

Some of the money raised will help to finance UN operations to eliminate Iraqi weapons of mass destruction. Iraq will also be allowed to open a war reparations fund.

Mr Thomas Pickering, the US delegate, stressed that the council decision was an exception to existing sanctions and that, otherwise, the embargo would remain in force.

Responding to Iraq's continuing failure to co-operate in the UN weapons inspection programme, the council also demanded that UN teams have full freedom of movement and "all necessary facilities".

The US was yesterday taking a "wait and see" approach, after threatening to send jet fighters to provide air cover for UN inspection teams.

The Security Council resolution, adopted by 13 votes to one (Cuba) with one abstention (Yemen), bypassed a proposal by Prince Sadruddin Aga Khan, the UN official in charge of humanitarian relief, that Iraq should be allowed to increase oil sales to $2.5bn. But it left open a possibility for a future increase in the limit, following a review.

Iraqi nuclear programme unravelled................Page 4
Editorial Comment....Page 12

The sum agreed applies to an initial six-month period. The UN will monitor shipments and receive payments for the oil, putting the money in an escrow account.

There was no mention in the resolution of the possibility of further military action to reinforce the inspection process. Many delegates said this might not be necessary since previous relevant resolutions remained fully in effect. If Baghdad fails to accede to demands without pre-conditions, President George Bush is likely to step up pressure on Mr Saddam Hussein, the Iraqi leader.

Mr Jean-Bernard Merimee of France, the current Security Council president, was last night awaiting Baghdad's response.

Prior to the vote on oil sales, Mr Abdul Amir al-Anbari, the Iraqi delegate to the UN, said the organisation's approach was an attempt to perpetrate an "inhuman economic siege" against his country.

Iraq's uranium enrichment programme, Page Four.

Spain plans to remove all controls on capital

By Peter Bruce in Madrid

SPAIN plans to end all capital controls this year and is preparing to grant the Bank of Spain greater autonomy in the hope of strengthening Madrid's commitment to European Community economic and monetary union.

Mr Carlos Solchaga, the finance minister, told parliament yesterday that Spaniards would be able to hold bank accounts abroad before 1992. Earlier this year the government allowed the introduction of foreign currency accounts but had been unwilling to risk big outflows of untaxed funds into accounts outside Spain.

Spanish banks, however, have been slow to introduce new accounts and have charged heavily for them.

The government says the measure is one response to the collapse of an attempt in July to negotiate a competitiveness pact with the unions.

As part of the capital control measures, Madrid is drawing up rules to allow foreign companies not quoted in their home stock markets to be listed on Spanish markets.

Neither measure is expected to have any startling effects, but as the gap between Spain's normally high real interest rates and the rest of the EC closes, the government believes it will gain credibility in the markets by having cleared all its capital controls a year ahead of schedule.

The Bank of Spain has been seeking greater autonomy for some time and Mr Solchaga did not say yesterday how much freedom it would gain under the statutes being prepared.

Mr Solchaga also appeared to retreat from an earlier commitment by the government to eliminate Spain's public sector deficit in the near future.

He indicated that total elimination would be impossible before 1993 and he also suggested that indirect taxes might have to rise next year as a result of decelerating tax income.

The minister also said he would be calling a meeting of union and business leaders to discuss further labour market liberalisation. Union leaders are reluctant to enter these negotiations because the government has well advanced plans to introduce a strike law.

The King card, Page 3

Army moves on Croatia as talks adjourned

Continued from Page 1

strategy was not working.

Before the EC meeting, Germany and France said the EC should seek a United Nations mandate for a WEU peacekeeping force in a joint statement issued after a meeting in Bonn between German chancellor Helmut Kohl and French president François Mitterrand.

The two leaders proposed that an effective ceasefire monitoring system should include the creation of a buffer zone, as well as the dispatch of a peacekeeping force. They also stipulated that such action by the WEU countries should receive explicit support from the 35-nation Conference on Security and Co-operation in Europe.

Mr Mitterrand and Mr Kohl stressed in their statement that the EC would not recognise any changes of borders made by force, and that they supported the right of self-determination.

This, however, had to be accompanied by respect for the rights of minorities.

Both Yugoslav and EC officials said that the peace process would fail unless all sides could see real incentives to seek peace. One senior Yugoslav diplomat said: "The signatories to the ceasefire are still not convinced that peace is the best way out. The EC must find a formula to make peace attractive."

Amid growing fears of the conflict spreading, Hungary asked for EC monitors on its border with Yugoslavia. Bosnia also asked the EC to send monitors to its republic.

Finland rescues savings bank

By Enrique Tessieri in Helsinki and **Robert Taylor** and **John Burton** in Stockholm

FINLAND'S central bank yesterday took over indirect control of Skopbank, the country's savings bank, becoming responsible for its domestic and foreign liabilities.

The rescue was the first in Finland's history. Mr Esko Ollilla, a Bank of Finland director, said Skopbank "was too big" to allow it to file for bankruptcy.

Measures are to be taken to restore confidence in the bank's activities and liquidity. The central bank also said Skopbank would be reconstructed to uphold its international capital reserve requirements and it would then seek new owners for the bank.

Mr Rolf Kullberg, the central bank's governor, hopes control of Skopbank will be "as short as possible". Skopbank's general manager, Mr Christopher Wegelius, and his deputy resigned yesterday.

The action was forced on the central bank by anxiety over Skopbank's deteriorating financial position.

Its four-month result recorded FM85.4m ($12.1m) in losses before financial items and eight-month figures were expected to reveal further deterioration because of mounting credit losses. They climbed to FM96.3m in the first four months compared with FM34.4m for the same period of 1990.

There was also mounting concern that Tampella, the troubled forestry and metals group in which Skopbank is the majority shareholder, might file for bankruptcy.

The latest developments at Skopbank followed a liquidity crisis at the end of last year when the central bank supervised a FM2bn injection by the savings bank owners to cover potential losses from Skopbank's investment operations.

The crisis at Skopbank is the latest example of troubles in the Nordic banking industry.

The problems are the result of financial deregulation throughout the region during the 1980s, which allowed banks to increase their lending volume and consequently exposed them to greater risks.

These risks have become reality as falling property prices saddled the banks with bad loans, while the recession in Sweden and Finland has added to the credit losses.

The Norwegian state has arranged insurance guarantees and other support for the country's leading banks, Den norske Bank, Christiania Bank and Fokus, all of which are losing money. Swedish banks are exposed to growing credit losses following the collapse of several leading finance companies.

Appeal for single EC currency

By Ian Davidson in Paris

EUROPE'S leading industrialists have called for an acceleration in both the widening and the deepening of the European Community.

The European Round Table of industrialists, representing 45 of Europe's largest companies with a total turnover of Ecu500bn ($604bn) appealed for the urgent completion of the single European market and rapid progress towards a single currency.

It says in a report issued yesterday: "The time has come to fix the goal of a single currency in Europe as an essential condition for the full benefits of the single market."

In addition, the Community should extend full membership to all seven countries in the European Free Trade Area (Efta) before the end of the century.

This process should be accompanied by a strengthening of Community structures, and the development of a foreign and security policy.

"The institutions must be designed with enlargement in mind," it says. "A system which struggles to handle 12 separate countries cannot be expected to manage 18 or 20 without major modifications."

The long-term aim, says the report, should be to create a single market which includes all European countries. But it is evasive over the question of extending full Community membership to the former communist countries.

On foreign policy, the Round Table's report adopts a hostile tone towards Japan, which it accuses of predatory behaviour.

THE LEX COLUMN

A lack of concrete evidence

It is perhaps just as well that the first tentative signs of consumer-led recovery are appearing in the UK. Yesterday's grim warning from RMC not to bet on any improvement in profits this side of 1992 vividly confirms that the engine of economic growth will not be capital spending.

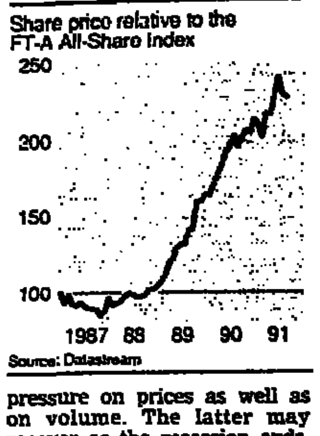
These days, companies need to buy concrete like they need another hole in the balance sheet. Those that have not persuaded the City to repair the financial damage through rights issues have been forced to de-stock and cut back their capital investment, a process which cannot go into reverse until existing capacity is used up. Judging by the noises from RMC and the further slide in share prices across the building materials sector yesterday, investors have still not grasped just how long this may take.

The question for RMC, given that profits next year may still be £80m-£90m below their 1989 peak and the UK contribution less than a third of what it was two years ago, is whether the shares deserve to trade on a prospective multiple of some 18 times. Germany, France and Spain have done well, but it must be open to doubt how far these strong performances on the continent can be sustained. Money and time are being devoted to building up a strong position in East Germany – heavy provisions made when the Berlin toe-hold was established mean the costs do not show up in the profit and loss account – but that is for the longer term. The combination of RMC's strong market position and sound management certainly give it a core position in most portfolios: but it is hard to see the faithful being rewarded in the short term.

FT-SE Index: 2,588.7 (+5.1)

Guinness

Share price relative to the FT-A All-Share Index



Source: Datastream

Hawker Siddeley

The conventional explanation behind the 6 per cent surge in Hawker Siddeley's shares yesterday is that disappointing results make it even more vulnerable to a predator. The bids for Beazer and Racal earlier this week may have pushed Hawker further into the limelight because it is one of the few large UK targets left for the likes of BTR, or even GEC. But scarcity need not be the same thing as value. Hawker's statement should have diminished its appeal.

Last year's savage cost-cutting effort has failed to prevent a steep drop in return on sales – at 5.8 per cent, a far cry from the 9.1 per cent achieved in 1989. That underlines how Hawker has been a victim of pressure on prices as well as on volume. The latter may recover as the recession ends. There is less chance of much recovery in prices, particularly given changing procurement patterns in the privatised UK power sector. So the scope for a new owner to wring extra profit out of margin improvement is small. Worse still, the recession has delayed badly-needed efforts to restructure through disposals. It would be rash to assume that a predator could do any better than the present management.

There is little evidence of stake-building in yesterday's price rise, which occurred on turnover of just 3.6m shares. There might always be a bidder lurking somewhere prepared to value the company on the basis of assets rather than earnings. That would take some courage, given the meagre prospective return. At 640p the shares are on a historic multiple approaching 16. Viewed purely on fundamentals, this is high for a company whose recovery will at best lag the end of the recession.

Guinness

Guinness's earnings growth in recent years has been so extraordinary that the market is bound to keep asking itself when it will run out of steam. Yesterday's interim figures – earnings and dividend up 13 per cent, the Gulf war and recession notwithstanding – suggest this may be the wrong question. The defensive qualities of shares like Guinness and Glaxo are by now taken for granted. The question is rather when the market becomes convinced enough of imminent economic upturn to leave such stocks behind.

That time is not yet, at least if yesterday's figures from RMC are a guide. In the meantime, the striking aspect of yesterday's figures is that despite pressure on sales volume, Guinness has yet again raised its margins, chiefly because of a continued switch to higher priced Scotch. Logic suggests that this must be a finite process. But in the meantime Guinness continues to pump out cash – £161m after tax and dividends in the half year – which has gone part way to financing an extraordinarily varied acquisition programme in worldwide alcoholic drinks, which so far this year has taken in Spain, Germany, the US, Australia and Venezuela. At yesterday's 1005p, the shares are on perhaps 15 times this year's earnings. It remains difficult to see them as expensive.

Shanks & McEwan

Compared with the punishment meted out to Shanks & McEwan on its profits warning yesterday, British Aerospace got off lightly last week. On the basis that Shanks's earnings will probably be flat this year, the waste management group's shares were marked down by 17 per cent. At least they are now easier to buy. Until recently, no-one in their right mind would sell the sector's star performer; since 1988, it has delivered average growth of 20 per cent in dividends and 21 per cent in earnings.

The question is whether the warning suggests a longer-term problem for Shanks, and by implication for water companies like Severn Trent which have already diversified into the business. Shanks's explanation is that the recession has simply taken far longer to reach the waste management industry than other sectors. Customers, it seems, do eventually pile up their waste to avoid spending; but they will have to dispose of it in the end. Shanks is in temporary difficulty because its higher margin processes, particularly Rechem's incineration business, have been hit by falling demand. Its reliance on site contract work in the south-east of England has not helped, but recovery should be prompt when the economic upturn comes.

That seems enough to prevent further damage to the share price for now. Shanks remains easily the largest and best of its kind. Yet one is left with a nagging feeling that earnings in the waste business are not sufficiently reliable to justify the sector's premium rating.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Berlin	C	17	63	Caracas	C	29	84	Faro	S	34	93	Islamabad	F	30	86
Algiers	S	32	90	Biarritz	C	23	73	Casablanca	S	27	81	Florence	S	27	81	Istanbul	F	19	66
Amsterdam	S	18	64	Bombay	S	30	86	Chicago	S	4	39	Frankfurt	C	22	72	Jakarta	F	33	91
Athens	F	27	81	Bordeaux	S	27	81	Cologne	C	18	64	Geneva	S	23	73	Jersey	S	19	65
Bahrain	S	33	91	Boulogne	S	19	66	Copenhagen	S	17	63	Gibraltar	F	25	77	Johannesburg	S	26	79
Bangkok	C	32	90	Brussels	S	20	68	Corfu	S	27	81	Glasgow	R	13	55	Lima	C	19	66
Barcelona	S	26	79	Budapest	F	21	70	Dallas	R	10	50	Helsinki	R	9	48	Lisbon	S	30	86
Beirut	S	27	81	Buenos Aires	F	22	72	Dublin	C	16	61	Hong Kong	C	31	88	London	F	19	66
Belfast	C	14	57	Cairo	S	32	90	Dubrovnik	S	27	81	Innsbruck	S	24	75	Los Angeles	Fg	16	61
Belgrade	F	20	68	Cape Town	C	14	57	Edinburgh	F	15	59	Inverness	C	14	57	Luxembourg	C	20	68

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	25	77	Milan	S	25	77	Nicosia	S	26	79	Salzburg	F	22	72	Tenerife	F	27	81
Madrid	S	30	86	Montreal	R	13	55	Oporto	F	21	70	San Francisco	C	13	55	Tokyo	C	21	70
Majorca	S	27	81	Moscow	S	9	48	Oslo	F	16	61	Seoul	S	25	77	Toronto	F	9	48
Malaga	S	28	82	Munich	S	23	73	Paris	C	19	66	Singapore	C	28	82	Tunis	F	27	81
Malta	R	26	79	Nairobi	F	28	82	Peking		–	–	Stockholm	F	16	61	Valencia	S	28	82
Manchester	F	17	63	Naples	S	29	84	Prague	S	21	70	Strasbourg	S	23	73	Venice	F	24	75
Manila	C	31	88	Nassau	C	32	89	Reykjavik	S	8	46	Sydney	S	18	64	Vienna	S	21	70
Melbourne	F	10	50	New Delhi	S	32	90	Rhodes	S	26	79	Taipei	C	28	82	Warsaw	C	18	64
Mexico City	C	23	73	New York	C	26	79	Rio de Janeiro	R	26	79	Tangier	S	32	90	Washington	F	25	77
Miami	S	26	79	Nice	S	26	79	Rome	S	27	81	Tel Aviv	F	29	84	Zurich	S	22	72

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 20 1991

INSIDE

Pechiney falls and issues warning

Pechiney, the French state-controlled aluminium and packaging group, yesterday posted an unexpectedly steep 62 per cent fall in six-month net profits and forecast that full-year profits for 1991 would fall by more than 50 per cent. Page 17

Saint-Gobain declines 40%

Saint-Gobain, the leading French glass, pipes and packaging producer, has reported a 40 per cent decline in first-half profits. Page 16

Move on Japan telecoms

A senior advisory body yesterday recommended that the Japanese government allow foreign ownership of up to 20 per cent of the shares of Nippon Telegraph and Telephone and Kokusai Denshin Denwa, the leading telecommunications companies. Page 18

Federal Express drops

Profits at Federal Express, the Memphis-based express delivery company, dropped sharply in the June-August quarter, the first of its financial year. After-tax profits were more than halved at $17.2m, while operating profits slumped from $129.2m to $80.3m. Page 17

Demand for oil set to rise

World oil demand in the fourth quarter is expected to almost catch up with supply. This gives OPEC, which meets next week in Geneva, a chance to reach price targets for the first time since the Gulf war or to boost production. Western demand is set to rise for the first time this year as economies pull themselves out of recession and if the winter is cold, supplies could be stretched. Page 30

Car industry at the crossroads

This year's Frankfurt motor show highlights the fact that the industry is at a turning point in which issues of environmental cleanliness, improved economy and traffic congestion are taking precedence over more traditional motoring values. "There seems to be hardly anything the automobile is not blamed for," complained Mr Eberhard von Kuenheim, BMW's chairman. Page 27

Banks oppose Brent Walker plan

The three London clearing banks, Barclays, National Westminster Bank and Midland, were last night still opposing any proposal to offer a form of debt security to holders of Brent Walker's bonds. Page 22

Ripe for recovery?

Italy has been one of Europe's worst performing stock markets this year. Turnover has been hit by a recent fraud scandal and brokers are struggling to persuade investors to return. Yet analysts are saying that Italian equities are ripe for a temporary recovery in the coming weeks. Antonia Sharpe reports. Page 39

HK raider plans merger

Mr Joseph Lau, Hong Kong's controversial corporate raider, has proposed merging his main holding company, Evergo, with its main subsidiary, Chinese Estates, through a partial offer and share swap. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Allianz Hld	528	−	9
Fag Kugelfisch	263	−	4
Hochtief	1262	−	28
Linotype-Hell	535	−	13
Porsche	672	−	26
Rosenthal	277	−	10

NEW YORK ($)

Rises			
Adobe Systems	51	+	6¼
Centocor	53¾	+	¼
Regeneron	15	+	2⅜
Falls			
Eli Lilly	82⅝	−	¼
LTX	3	−	1
Royal Dutch	81½	−	¼

PARIS (FFr)

Rises			
Alcatel Alsthom	607	+	21
Falls			
Dollfus Mieg	339	−	11
Fonc Lyonnaise	597	−	13
Printemps (Au)	685	−	31
Rhone Poulenc	420	−	14
SILIC	610	−	13

TOKYO (Yen)

Rises			
Dai Nippon Ink	635	+	100
Ishihara Sangyo	540	+	80
Janome Sewing	682	+	91
Nippon Chemical	1530	+	180
Falls			
Kurabo Inds	970	−	140
Tokyu Car	980	−	170

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Appleyard	125	+	9
Brit Aerospace	420	+	16
Caldwell	27	+	3
Cooper (F.)	83	+	4
Davis Service	160	+	8
Fired Earth	72	+	8
Glaxo	1361	+	30
Gold Greenlees	215	+	12
Hardys&Hansons	1115	+	50
Hawker Sidd	640	+	38
Highcroft Inv.	135	+	15
Laporte	579	+	21
Nat Home Loans	19	+	4¼
Sandell	40	+	6
Spring Ram	142	+	13
Vodafone	369	+	11
Falls			
ASDA	63	−	4
Argos	303½	−	16½
CALA	68	−	8
Dowty	156	−	11
RMC	635	−	23
Shanks&McEwan	239	−	40
Steetley	335	−	14
Storehouse	113	−	5

LVMH suffers slight profits fall after increasing cross-shareholding

Guinness ahead despite recession

By Roland Rudd

GUINNESS, the international drinks and brewing group, yesterday reported a 9 per cent increase in taxable profits while LVMH, the French drinks and luxury goods group, announced a slight fall in profits.

The purchase of extra Guinness shares last year was partly responsible for holding LVMH's consolidated net profits down to FFr1.21bn ($209m) for the first six months, a fraction below the FFr1.24bn in the same period of 1990.

Guinness's taxable profits increased to £350m ($591.5m), from £322m, in what the group called one of its hardest half years. Mr Anthony Tennant, chairman, said: "The recession in the English speaking world has proved longer-lasting and deeper than anticipated."

During June LVMH acquired additional Guinness shares to maintain its holding at 24 per cent following dilution resulting from conversions of Guinness's convertible preference shares and loan stock. Guinness maintains a 24 per cent holding in LVMH.

Mr Tennant said LVMH and Guinness reaffirmed that neither planned to increasethe present level of cross-shareholding.

However, the speed at which LVMH bought its Guinness shares surprised Guinness, although it was partly reassured when LVMH said it had only bought the extra shares to maintain its shareholding at 24 per cent.

Guinness would find it difficult to increase its shareholding in LVMH without first consulting Mr Bernard Arnault, its chairman. This is because Guinness's interest in LVMH is held jointly with the Financiere Agache group through Jacques Rober, a holding company registered in France.

Mr Tony Greener, managing director of United Distillers, said: "The relationship between LVMH and US is very important to both companies. There is no merit in merging both businesses. It does not make commercial reality."

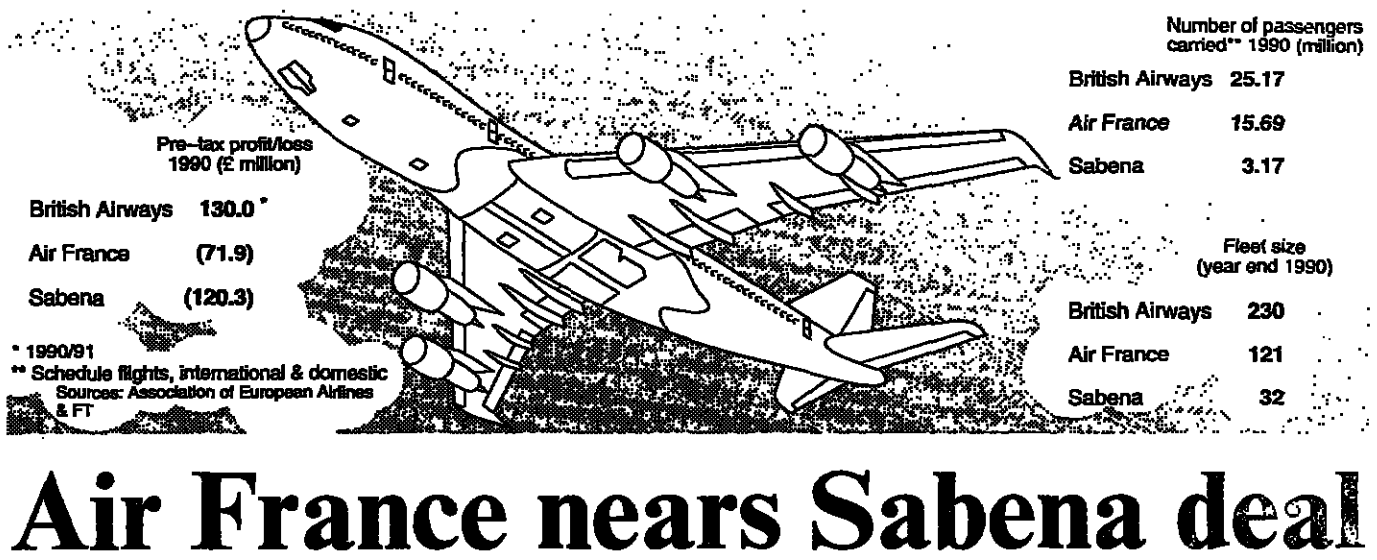
Guinness has continued to increase the price of whisky in line with its policy of "confident pricing" which has contributed to increased profits.

Mr Greener denied that by increasing whisk prices Guinness was guilty of pursuing a short-term policy of increasing profits. "Scotch whisky was ridiculously underpriced. We have increased prices in line with inflation," said Mr Greener.

Over the past year the group spent more than £700m on acquisitions including Venezuela's largest spirits company, Industries Pampero, Cruzcampo in Spain and the establishment of an import and marketing company in South Africa.

Lex, Page 14; LVMH details, Page 16; Guinness details, Page 24

Paul Betts in London and David Buchan in Brussels report that British Airways is about to lose out in an alliance with Sabena of Belgium



Air France nears Sabena deal

Air France is close to completing a strategic alliance with Sabena, thwarting a year-long attempt by British Airways to invest in a large minority stake in Belgium's loss-making national carrier.

Mr Pierre Godfroid, Sabena's chairman, confirmed yesterday that he was "on the point of finalising" a deal with Air France, whereby the French state carrier would inject BFr4bn ($112m) into the capital of the troubled Belgian airline.

The Sabena chairman said in a Belgian newspaper interview that the Air France bid met all conditions set by the Belgian government last March, when it gave the state-controlled airline a capital injection of BFr10bn to pay for redundancies and promised a further BFr9bn if and when Sabena found an industrial partner willing to inject BFr6bn in it.

Until late this summer, BA was still widely regarded as the front-runner to forge a strategic alliance with the loss-making Belgian national carrier. As late as July, Mr Godfroid was openly stating that BA was his airline's favourite candidate for a partnership.

Suggestions that Air France, the French national airline, was also negotiating a rival deal in the wings were largely regarded as an effort on the part of Sabena to put pressure on BA to accelerate the completion of a shareholding agreement.

But although BA said yesterday it was still talking to Sabena, it is clear that the UK carrier has now virtually dropped out of the race with Air France – expected to complete a deal soon with the Belgian airline.

Air France would only officially confirm yesterday it was discussing a commercial agreement with Sabena. But the French airline is understood to be considering making a large financial investment in the Belgian airline.

This is expected to see Air France together with other French financial partners invest about BFr4bn in Sabena. A further BFr2bn would be provided by Belgian venture capital investors including the Groupe Bruxelles Lambert, the large Belgian holding company.

Negotiations with BA started last January after the collapse of an earlier joint venture between BA, KLM Royal Dutch Airlines and Sabena. The joint venture had faced objections from the European Commission on competition grounds and BA had become unhappy with the structure of the deal which gave it only a 20 per cent stake in a Sabena subsidiary.

BA subsequently expressed interest in investing in a large minority stake in the Sabena parent company. The UK carrier was considering investing BFr6bn for a minority stake of well over 25 per cent in Sabena. Through its proposed partnership with Sabena, BA intended to develop a new European airline hub in Brussels.

Although BA was not looking for control of the Belgian carrier, it made clear it wanted a degree of influence in the airline's affairs commensurate with its financial investment. It also insisted in becoming Sabena's sole airline partner. With signs that the Belgian side was reluctant to agree to these terms, BA had become increasingly lukewarm towards the deal, especially at a time when airline profits remain under pressure because of the recession and heightened competition.

Air France appeared to have provided the Belgians with a more acceptable political solution for the recovery and recapitalisation of their national flag carrier.

The French airline also seemed to have become increasingly attracted by the commercial prospects of a partnership with Sabena, giving it – through Brussels and its Paris base of Charles de Gaulle airport – two significant international hubs in the centre of Europe. The partnership is also likely to strengthen Air France's position on African routes.

Under its chairman, Mr Bernard Attali, Air France has sought to consolidate its position on its home market at the same time as seeking partnerships in Europe. The French airline recently absorbed UTA, the independent French long-haul carrier with an extensive African network, as well as Air Inter, the domestic French carrier. It has also reached a broad collaboration pact with Lufthansa, the German national carrier.

The Air France deal with Sabena has provoked protests from the Volksunie, the Flemish nationalist party in Belgium's ruling coalition. Mr Godfroid, who was brought up in Flanders but has worked for French and US companies, dismissed complaints by the Flemish nationalists that the government was selling out the national carrier to French interests.

Mr Godfroid said he understood the Volksunie's reaction because it mirrored an earlier outcry from French-speaking politicians in Belgium when it seemed that the Dutch carrier KLM might take a stake in Sabena. But the economic interests of the airline and its 10,000-strong workforce should be paramount, he said, not Belgium's communal politics.

Any Air France link-up with Sabena will also be closely scrutinised by the European Commission's anti-trust directorate, EC officials said, noting that the two carriers were in significant competition on certain African routes. A further complication may arise out of the commission's investigation of the French government's plans to increase Air France's capital, both directly and through the state-controlled Banque Nationale de Paris (BNP) taking a stake in the airline.

Lex, Page 14

Crédit Suisse parent up by 77%

By William Dullforce in Geneva

CS HOLDING, the parent company for the Crédit Suisse banking and industrial group, yesterday reported a 77 per cent improvement to SFr602m ($400m) in its net consolidated earnings during the first half.

The strong recovery from last year, when CSH suffered a 78 per cent fall to SFr192m in its full-year earnings, was marked by a return to profit at CS First Boston, the New York-based investment banking arm. In the first half all subsidiaries active in banking had shown a clear rise in net income in comparison with last year and the successful year of 1989, CSH said.

At the end of July Crédit Suisse, the biggest subsidiary, reported a 71 per cent climb to SFr1.33bn in its first-half pre-tax earnings. It did not disclose a net figure but said that, in spite of a significant increase in provisions for problem loans, its first-half net earnings had been higher than in the first six months of the two previous years.

The group's total assets rose by 16 per cent to SFr251bn in the first half. A return on equity of 14 per cent a year had been achieved on the shareholders' equity of SFr8.3bn, CSH said.

In May, after the Swiss supreme court had backed the Federal Banking Commission's demand that CSH meet Swiss capital reserve requirements for all subsidiaries, Mr Rainer Gut, chairman, announced that up to 20 per cent of the shares of Crédit Suisse could be sold to the public over the next 18 months. Yesterday he said this would wait for a more favourable climate on equity markets.

CSH's earnings before write-downs, provisions and taxes reached SFr1.72bn in the first half, up 66 per cent. Provisions, taxes and minority interests at SFr1.12bn rose 61 per cent.

CS First Boston, which last year reported a $587m loss after making provisions for bridge loans to several highly-leveraged US companies, posted an undisclosed net profit for the first half which had been higher than expected, CSH said.

The parent company reduced its exposure from $470m at the end of December to $135m on June 30. Over the past eight months more than $500m of CSFB's bridge loans had been repaid through the issuance of debt and equity.

This enabled the limited partnership set up to hold the loans to pay off 79 per cent of its $650m borrowed capital, CSH said.

Siemens plans manufacturing switch to eastern Germany

By Christopher Parkes in Bonn

SIEMENS, the German engineering group, yesterday completed its takeover programme in east Germany and announced plans to switch some manufacture from its western plants to newly-purchased facilities in the east.

The Thüringer Elektromaschinenbau-Instandhaltung (TEI), a large generator and electric motor repair plant in Erfurt was "the last large brick in the building", Mr Heinrich von Pierer, Siemens's chief executive-elect, said.

The group had bought 11 companies employing 20,000 people in the east since German unification a year ago, and would now concentrate on consolidation.

This would involve integrating the operations of eastern factories with those of long-established western subsidiaries. "We do not want any piggy-back companies, only factories able to compete in the world market," Mr von Pierer said.

The TEI works, for example, would be upgraded to manufacture generating equipment, including steam and gas turbines, currently made at the group's works in Mülheim on the Ruhr.

It would also take on a contract Siemens had signed in the US for the manufacture of magnets for particle accelerators. Mr von Pierer said order books for power equipment were full, and the transfer of work would have no effect on jobs in Mülheim.

Confirming that the Siemens eastern operations would lose DM100m ($57.4m) in the year ending on September 30, Mr von Pierer said there would be more red ink next year. "This should not be surprising: most of the companies we have taken over had almost empty order books," he added.

TEI, formerly part of the VEAG electricity generation utility in east Berlin and sold for an undisclosed price, will employ 670 people. There were 900 people on the payroll at the end of 1990.

The company is to be renamed Siemens Elektromaschinenbau und Instandhaltung and integrated into the parent's KWU power industry subsidiary.

Under its former ownership it was the largest generator and motor repair and reconditioning plant in east Germany. Like many businesses now coming into western hands, it requires heavy investment to modernise it.

Although founded in 1948, some equipment dates from before the first world war.

Kawasaki Steel to buy ICI unit

By Robert Thomson in Tokyo and Robert Peston in London

KAWASAKI STEEL, the Japanese steelmaker, has agreed to buy ICI's Pennsylvania-based speciality compound division for $100m as part of the Japanese company's attempts to lessen its reliance on steel products and broaden its plastics business.

The disposal forms part of ICI's sweeping reorganisation, launched at the beginning of the year, which it says will add £400m ($692m) to annual pre-tax profits by the middle of 1993.

Kawasaki said ICI approached it several months ago. The purchase was agreed because of Kawasaki's interest in the production of heat-resistant, high-performance plastics for cars and office automation equipment.

ICI acquired the business as part of the $750m purchase of Beatrice Chemical in 1984. It formed a key part of its advanced materials division, which it hoped would grow quickly.

However, competition from other manufacturers was more intense than expected and it is withdrawing from the manufacture of many advanced thermoplastics. In the spring, it announced it was pulling out of production of poly-ether sulphone, a non-flammable, engineering thermoplastic.

Analysts believe these plastics will continue to replace traditional materials, such as steel and aluminium, in the manufacture of vehicles and aircraft. By the turn of the century, the advanced plastics industry is expected to be enormous. It is likely to be dominated by the Japanese because few western companies can cope with the poor profitability levels. Courtaulds, the UK materials group, has also abandoned a big investment in advanced materials.

Kawasaki, Japan's third largest producer of crude steel, relies on steel products for about 77 per cent of revenue, and, like other Japanese steel companies, has been looking to expansion in the chemicals and electronics industries.

The Japanese company said basic agreement has been reached with ICI, and a guarantee given that the division's 400 staff will keep their jobs and senior managers retained.

Kawasaki officials believe there was at least one other company bidding for the ICI division, which includes a research facility in Pennsylvania, and four factories, three in the US and one in the Netherlands.

Background, Page 22

LVMH falls slightly in first half

By William Dawkins in Paris

LVMH, the French drinks and luxury goods group, yesterday announced a slight fall in first-half profits, but said a strong sales recovery now under way pointed to a "reasonable" profits rise for the year.

An increase in borrowing charges resulting from the purchase of extra Guinness shares last year and the acquisition of Champagne Pommery from the BSN food group, held consolidated net profits down to FFr1.21bn ($211m) for the first six months, a fraction below the FFr1.24bn in the same period of 1990.

However, the underlying rise in net income comes out at 7 per cent, adjusting for LVMH's stake in Guinness – nearly doubled to 24 per cent – and for the champagne acquisition.

Operating profits rose slightly from FFr2.33bn to FFr2.34bn, within which earnings in the second quarter rose by 20 per cent from the comparable period in 1990.

LVMH, headed by its chairman, Mr Bernard Arnault, said the seasonal rise in Guinness's and Pommery's income in the current half would reduce the impact of interest costs. Champagne sales fell in Britain and the US in the first half, but LVMH usually sells 60 per cent of a year's champagne in the second six months.

The rise in the value of the dollar and the yen against the franc in the third quarter will benefit profits, thanks to the large proportion of LVMH's sales in the Far East and the US, said the group.

On top of this, trade buyers have reacted well to the recent launch of LVMH's latest women's perfumes, Dune by Christian Dior and Amarige by Givenchy.


Bernard Arnault: enjoying strong sales recovery

Broadly, LVMH has seen sales recover fast from the impact of the Gulf war. Cognac and spirits saw a rise in profits from FFr1.1bn to FFr1.2bn, thanks to continued growth in the Far East – which accounts for 40 per cent of overall group sales – aided by the yen's strength.

The luggage and leather goods division saw a decline in operating profits from FFr891m to FFr827m, but is now benefiting from a strong sales recovery. Profits also fell in perfumes and beauty products – from FFr138m to FFr121m – but sales through duty-free outlets rebounded in the second quarter.

Financial analysts said the group net profits decline was greater than expected, but that LVMH appeared to be recovering from the impact of the Gulf war faster than thought previously. Mr Sylvain Massot, analyst at Morgan Stanley, believes LVMH should easily achieve a 10 per cent net profits rise for the year.

Profits drop 36% at Cap Gemini Sogeti

By William Dawkins

PROFITS at Cap Gemini Sogeti (CGS), Europe's leading provider of computer services, plunged in the first half of the year, hit by heavier finance charges and a general slackening in demand.

Pre-tax earnings at the French company dropped by 36 per cent from FFr360m ($62.88m) to FFr230m on turnover up by 27 per cent to FFr5bn. It was difficult to estimate full-year profits exactly, given that the bulk of earnings usually arise in the second half, although CGS warned that a "perceptible" profits-fall for the year was almost certain. It expects annual sales to rise to FFr10bn, from FFr9.18bn last year.

CGS had to pay FFr93m of interest in the first six months, as against FFr18m of interest received in the same period of last year. This reflects the increase in borrowings needed to fund buying control of Hoskyns, Britain's leading computer service group, in July 1990.

The rise in turnover, meanwhile, is mainly due to the first-time integration of Hoskyns's sales.

Since the Hoskyns takeover, the internationally ambitious CGS has gone on to take over Scientific Control Systems, the West German computer services group, and sold a minority stake in itself to Daimler-Benz as part of a co-operating agreement with the German industrial giant's computer services unit. The benefits of these and other alliances should clearly show in next year's results, said CGS.

RMC drops 36% and sees no sign of strong upturn

By Andrew Taylor, Construction Correspondent, in London

THE SHARE price of RMC, the world's biggest ready-mix concrete producer, fell 23p to 635p yesterday after the British group warned that profits were unlikely to recover greatly next year.

Mr Jim Owen, managing director who yesterday announced a 36 per cent fall in first-half pre-tax profits to £69.9m ($120.9m), said that analysts forecasting a £15m to £20m improvement in profits to £190m for the whole of 1992 had been too optimistic.

He said: "We will be doing well to do achieve round about the same level of profits as we expect to earn this year." The group is expected to make pre-tax profits of between £165m to £170m for the 12 months to the end of December compared with £216.2m in 1990 and £248m in 1989.

Share prices of other large British building materials fell sharply following the warning that the deep recession in the UK construction industry was likely to continue.

Steetley which produces bricks, tiles and aggregates fell 14p to 335p. Redland, the world's biggest concrete tile producer, fell 8p to 566p.

Mr Owen said he expected sales of concrete in the UK to fall by about 20 per cent this year and by a further 5 per cent next year. He said the steep downturn in commercial property markets showed no sign of ending.

UK operating profits during the six months to the end of June fell by 62 per cent to £19.2m. Volume sales of sand and gravel fell by 14 per cent and hard rock sales by 3 to 4 per cent as demand from the building industry continued to sink. Prices in some areas fell by up to 10 per cent, squeezing margins.

RMC, however, reported continued growth in Germany, where profits had increased by 6 per cent to £32.1m during the the first half. The group's recently-acquired cement works and concrete plants in eastern Germany made a profit for the first time in July.

Profits were also higher in France, Spain and Israel, the latter benefiting from the sharp increase in building to house a growing tide of immigrants, particularly from the Soviet Union. Profits fell in Belgium, the Netherlands, Ireland and the US.

Mr Owen said the group was now looking to acquire aggregate reserves in eastern Germany, where it planned to increase the number of concrete plants it owned from 36 to 75 by 1995.

The group has increased its interim dividend from 6.4p to 6.6p a share.

Lex, Page 14

NEWS IN BRIEF

Statoil to build gas platform

STATOIL, the Norwegian state oil company, has signed a letter of intent with Aker Verdal to build a gas riser platform, Reuter reports from Oslo.

Last month, the huge concrete base of Statoil's Sleipner A platform sank in a Norwegian fjord while under construction, and Statoil said the accident meant Sleipner would be unable to produce gas as planned from October 1993.

But Statoil said it was trying to see if other fields could make up for the shortfall. Statoil has decided to build a riser platform to connect the Statpipe and Zeepipe pipelines.

Penser plans 'comeback'

MR Erik Penser, the main shareholder in Swedish arms-to-chemical group Nobel Industries, has said he aims to make a comeback after losing an estimated SKr4.5bn ($733m) in the collapse of Nobel's finance affiliate, Gamlestaden, Reuter reports from Stockholm.

"I will come back, doing something that I can do, which is finance, and I am toying with some ideas," Mr Penser said.

Saint-Gobain blames falling prices and weak demand for 40% tumble

By William Dawkins

SAINT-GOBAIN, the leading French glass, pipes and packaging producer, has reported a 40 per cent decline in first-half profits.

The setback reflects falling prices and weak demand from Saint-Gobain's customers in the building, automotive and industrial supplies businesses.

There has been a slight recovery in sales since the end of June, but this is not enough to make up for the strong pressure on prices, the company said.

Sales rose by 9.7 per cent from FFr34.1bn ($5.96bn) in the first six months of last year to FFr37.4bn in the same period of 1991, mainly due to the incorporation of Norton, the US abrasives group and Solaglas, the UK glass fabricator and distributor, acquired by Saint-Gobain last year. Stripping these out, sales declined by 5.5 per cent.

The pipe-making and containers divisions, which together account for an estimated 37 per cent of sales, maintained good performances, said Saint-Gobain.

All the group's other divisions were hit by the economic slowdown, which affected Saint-Gobain's activities across Europe, with the exception of Germany.

American earnings were the hardest hit because of the strength of the recession in the construction and industrial supplies businesses there, while earnings improved in Brazil.

Group debts rose from FFr19.4bn at the end of 1990 to FFr21.9bn by the end of June, due to increased working capital needs, the impact of the dollar's rise, and the inclusion of debts from Saint-Gobain's recent acquisitions.

Finance charges more than doubled as a result, from FFr624m in the first half of last year to FFr1.3bn in the six months to June.

Debts represented 62 per cent of shareholders' funds on June 30.

Hawker Siddeley set back by high cost of reorganisation

By Michiyo Nakamoto in London

MOUNTING reorganisation costs and weakness in important markets continued to plague Hawker Siddeley, the diversified UK engineering group.

The group saw a 14 per cent decline in pre-tax profits to £57.5m ($65.6m) for the six months to June.

The figures were at the lower end of forecasts by City of London analysts, and the company's shares reacted strongly to bid speculation, rising 38p to 640p on heavy trading.

Profits in the first half were lower at the trading level, excluding a £27.5m loss made last year in its power contracting business, falling 31 per cent to £67.9m. The drop, which came on turnover that was 5 per cent down at £1.07bn, reflects the combined effects of sluggish demand, reorganisation costs and adverse currency rates.

Sir Peter Baxendell, chairman, said that as difficult trading conditions persisted in its three significant markets in the UK, the US and Australia, the group suffered a severe erosion of margins.

Costs of a big reorganisation were significantly higher than expected at £14.7m against a previous £5.5m.

"We are facing up to some tough decisions on manning and methods," said Dr Alan Watkins, the company's chief executive.

He added that although the restructuring would cut costs by about £100m, "We see no trend that would say the bottom has been passed".

The group shed 3,000 employees and closed five plants this year, bringing the total since early 1990 to 7,000 redundancies and 11 closures.

The restructuring, which will involve at least another 1,000 job losses, has cost £41m, and Dr Watkins said that rationalisation costs for the full year would be "much higher than anyone expected".

The group's general engineering division, which is dependent on the construction, timber and mining industries, was hardest hit by the recession, with demand falling 26 per cent and pre-tax profits down 68 per cent to £7.3m.

Profits from the instruments and controls business declined 48 per cent to £5.9m, while that from the aerospace division fell 46 per cent to £6.7m.

Batteries showed a 21 per cent rise in profits, including a contribution from the Chloride battery business which it had acquired in January.

The interest charge more than doubled to £10.4m from £4.7m and capital expenditure was maintained at £36.5m.

As part of its reorganisation, the group expects to dispose of certain businesses and make further acquisitions, particularly in Europe.

Lex, Page 18

Chargeurs hit by lower exceptional gains

CHARGEURS, the diversified French industrial group which last year took control of Pathé Cinéma, has unveiled a sharp fall in first-half net profits, mainly due to a decline in exceptional gains, writes William Dawkins.

Chargeurs, a 15.59 per cent shareholder in British Sky Broadcasting and active in wool, fabrics and transport, saw net profits fall by 73.7 per cent from FFr1.5bn ($262m) to FFr404m. Turnover, meanwhile, fell by 13.4 per cent from FFr6.1bn to FFr5.2bn, mainly due to a fall in textile sales.

The net profit included a FFr343m gain from the sale of UTA, the airline, to Air France, against a FFr1.54bn exceptional profit in the same period of 1990. Stripping this out, the underlying change is from a FFr10m loss to a FFr61m profit. The group is expecting a clear improvement in profits for the year as a whole.

Losses in the textiles division fell from FFr169m to FFr79m, while the communication businesses saw net profits shrink from FFr1.65bn in the first half of 1990 to FFr477m in the same period of this year.

Nestlé denies Mars merger negotiations

NESTLE, the world's biggest foods group, yesterday denied reports in a Zurich business newspaper that it was negotiating a merger with, or takeover of, Mars, the US confectionery group, writes William Dullforce.

"We are saying clearly and loudly that there are no negotiations between Nestlé and Mars," said a Nestlé spokesman.

INTERNATIONAL COMPANIES AND FINANCE

Pechiney falls sharply as aluminium prices weaken

By William Dawkins in Paris

PECHINEY, the French state-controlled aluminium and packaging group, yesterday posted an unexpectedly steep 62 per cent fall in six-month net profits and forecast that full-year profits for 1991 would fall by more than 50 per cent.

The decline is mainly due to a plunge in aluminium prices, the volatility of which has traditionally made Pechiney's earnings outlook uncertain.

However, this was partly cushioned by a small profits rise from Pechiney's packaging business. Its packaging activities, expanded greatly with the acquisition of American National Can (ANC) in 1988, now account for 44 per cent of operating profits and 40 per cent of sales.

Group sales fell by 4 per cent from FFr40.2bn ($7bn) to FFr38.59bn in the six months to June 1991, on which net profits fell from FFr1.24bn to FFr480m over the same period. Operating profits fell by 25 per cent from FFr3.48bn to FFr2.61bn. Profits in the packaging division rose from FFr1.11bn to FFr1.13bn.

The aluminium division's operating earnings fell by 41 per cent from FFr1.27bn to FFr753m. Meanwhile, profits in the turbine components business started to fall from the end of last year – though they were up on the first half of 1990 – reflecting weak demand from commercial airlines.

Pechiney believes the packaging business's earnings will rise by 8 per cent this year, but that "no real signs of improvement are seen for those group activities that are most penalised by worldwide economic conditions."

It plans to continue expanding the packaging business, while at the same time seeking further improvements in competitiveness from the other activities.

Pechiney International, the group's separately-quoted 75 per cent owned subsidiary, also produced gloomy results, with a 36 per cent fall in net profits from FFr402m to FFr257m. Pechiney International has more exposure to packaging, which accounts for 68 per cent of sales, than its parent.

Turnover at Pechiney International declined by 1.3 per cent from FFr22.33bn to FFr22.63bn, while operating profits fell by 10 per cent to FFr1.57bn. This reflected, as was the case for the parent company, a strong decline in profits from aluminium and international trading.

Federal Express profits halved

By Nikki Tait in New York

PROFITS at Federal Express, the Memphis-based express delivery company, dropped sharply in the June-August quarter, the first of its financial year.

After-tax profits were more than halved at $17.2m, compared with $43.1m in the same period 12 months earlier, while operating profits slumped from $129.2m to $80.3m.

Sales stood at $1.83bn, against $1.92bn in the first quarter of the 1990-91 financial year. Earnings per share fell from 81 cents to 32 cents.

Federal Express blamed the slump on the slowdown in intercontinental traffic because of the economic recession in its major markets, including the US and western Europe.

The results from Europe, it added, continued to bear the impact of a major restructuring in the unprofitable UK operations. This involved the phasing-out of heavyweight and low-priority services in the UK, the closure of certain hub facilities and some substantial job cuts.

During the first quarter, the loss on international operations overall rose to $93m, compared with a loss of $75.9m a year earlier, while revenues totalled $573m, against $605m.

Federal Express said that earnings in the first quarter of 1990-1991 had been inflated by some special factors, making comparisons with the more recent quarter difficult. Last year, for example, a strike threat hung over UPS, a rival carrier, while price increases had recently been pushed through in the US market.

The company noted that the US-Canadian business had fared relatively well this time, and that it still looked forward to increased international demand in coming years.

Minorco slips 6% despite sales jump

By Deborah Hargreaves

MINORCO, the Luxembourg-based investment arm of Anglo American Corporation of South Africa, saw a 6 per cent drop in its pre-tax profits to $243.8m in the year to June 30, from $260.4m last year. The result reflects a slight dip in investment income.

The company reported a sales jump for the year to $771m as it proceeded with its strategy of turning the group into an operating company.

Minorco continued to rationalise and restructure its investment portfolio over the year, which made a significant impact on its operating performance. Operating earnings increased to $110m from $5m.

Gold production at Minorco's Independence Mining reached a record level during the year although this was not as high as expected because of the lower gold price and operating difficulties.

The company said it had completed extensive exploration activity during the year.

Minorco is trying to transform the group from an investment company into a leading natural resources group although analysts believe it has been dragging its feet on acquisitions.

In April, Minorco incorporated Inspiration Resources, the mining company, as one of its own subsidiaries.

Minorco also completed the purchase of Canada's Hudson Bay Mining and Smelting from Inspiration for C$100m (US$87.7m). This enabled Hudson Bay to go ahead with a C$187m modernisation programme at its Manitoba metallurgical complex in order to meet Canadian environmental regulations.

In addition, Minorco entered the European aggregates market through an acquisition in Germany and bought the EC's only tungsten producer.

The purchase of Elbekies GmbH Muhlberg-Prettin gives Minorco access to the growing European aggregates market from its base south of Berlin. It also purchased Beralt Tin & Wolfram, a Portuguese wolfram producer.

The company has put its 47 per cent interest in Adobe Resources, the US oil and gas producer on the market, but has not yet found a buyer.

Earnings per share dropped during the year to $1.14 from $1.35, but Minorco increased its dividend by 6 per cent to 51 cents a share from 48 cents last time.

Renown sees Y2.2bn loss

RENOWN, Japan's biggest clothing company, yesterday warned that it would fall into the red for the year to December due to losses at Aquascutum, the fashion retailer which it acquired in August 1990, writes Emiko Terazono in Tokyo.

Renown revised previous projections of after-tax profit of Y1.7bn ($12.7m) to losses of Y2.2bn. Pre-tax profits expectations were revised down to Y500m, or a 90.6 per cent drop from the last year, on sales of Y250bn, down 2.9 per cent.

Pre-tax profits for the parent company were also revised down to a 45 per cent fall of Y3.5bn.

Arnotts drops 61% after write-down of bid costs

ARNOTTS, the Australian bakery group, said yesterday it was confident of returning to profit and dividend growth after reporting a 61.5 per cent slump in net earnings to A$18.2m (US$14.6m) in the year to June 30, Reuter reports.

"Having absorbed very substantial one-off restructuring costs, the directors are confident that the company will return to a pattern of steady growth in profits and dividends," the company said. "Earnings performance in the first two months of the current financial year has shown significant improvement."

An extraordinary loss of A$33.27m, for the write-down of loans and costs associated with the failed bid for the biscuit business of Nabisco Brands took Arnotts to a bottom line loss of A$15.1m.

The Federal Court in November dismissed an appeal by Arnotts, ruling that its A$45m option to buy the Nabisco business from RJR Nabisco breached the Trade Practices Act. Arnotts said in March it would not appeal.

Arnotts, 32.9 per cent owned by Campbell Soup, said redundancy costs and factory closures were to blame for the A$35.4m abnormal loss in 1990-91.

Shell Oil to sell holdings in Alaska

SHELL Oil, the US arm of the Anglo-Dutch oil group, is to sell a number of its oil and gas holdings in Alaska, the company announced yesterday, writes Juliet Sychrava.

The holdings include the Middle Ground Shoal Production Unit, an oil property producing 7,500 barrels of oil a day, and the Beluga River gas field, producing 23.1m cu ft of gas a day.

The company will also sell its small interest in the giant Prudhoe Bay oil field, in which BP has a significant stake.

Shell also said it had completed a three-year exploratory drilling programme in the Chukchi Sea, also in Alaska.

INTERNATIONAL COMPANIES AND FINANCE

Tokyo urged to offer 20% of telecoms units overseas

By Robert Thomson in Tokyo

A SENIOR advisory body yesterday recommended that the Japanese government allow foreign ownership of up to 20 per cent of the shares of Nippon Telegraph and Telephone (NTT) and Kokusai Denshin Denwa (KDD), the leading telecommunications companies.

The Telecommunications Council recommendations are likely to become Bills that the Ministry of Posts and Telecommunications will present to the Japanese parliament early next year, though it is unclear when foreigners will be able to purchase shares in the two companies.

NTT was privatised in 1986, but is still 65.9 per cent owned by the government, which is required by law to hold at least a third of the company's shares. The government has plans for five further releases of NTT shares, but the weakness of the Tokyo stock market and of the company's share price have delayed the sales.

Mr Hisamitsu Gannyo, director of the ministry's industrial policy division, said that granting permission for foreigners to buy NTT shares was not linked to the weakness of its share price, but to the "international trend" towards the privatisation of telecommunications business.

"We have seen that there is movement taking place in other countries towards creating a better market for the shares of telecommunications companies," Mr Gannyo said.

However, the committee recommended that foreigners be forbidden from taking "executive posts" at NTT and KDD, while the 20 per cent level for foreign shares is less than the 33 per cent foreign ownership level permitted for other telecommunications businesses in Japanese.

The committee said that foreign ownership had to be limited for security reasons: "These two companies, one of which offers telephone services through Japan [NTT] and another to 215 destinations in the world [KDD], are playing a cardinal role for Japan in the telecommunication system and a particularly crucial role for national security."

Some prominent Japanese politicians have opposed the sale of NTT shares to foreigners, believing that the company should remain a wholly Japanese entity, but the government does not want to appear out of step with the international liberalisation of the telecommunications industry.

The committee noted that NTT has become become active on international bond markets, while both NTT and KDD are expanding the range of their businesses and, particularly in the case of KDD, facing increased competition with the deregulation of the communications industry.

Lau again plans to merge Evergo with Chinese Estates

By Angus Foster in Hong Kong

MR JOSEPH Lau, Hong Kong's controversial corporate raider, has proposed merging his main holding company, Evergo, with its main subsidiary, Chinese Estates, through a partial offer and share swap.

This is the second time in two years Evergo, which owns 49.6 per cent of Chinese Estates, has proposed taking over the company. Last time, the offer was rejected by shareholders who complained the offer price was too low.

Mr Lau, who owns 45 per cent of Evergo, is offering to buy up to 50 per cent of Evergo shares he does not already own at HK$3.40, the trading price before the transaction was announced but below this year's high of HK$3.75. Mr Lau is offering to buy the Evergo shares so his stake in the company remains above 35 per cent following a share swap.

Evergo will then offer to swap every two Chinese Estates shares for one Evergo share. Chinese Estates would become wholly-owned by Evergo and its share listing would be cancelled.

Chinese Estates' market capitalisation is less than half its net asset value. This is partly because Mr Lau is unpopular for regular cash calls and controversial asset swaps.

If his latest proposals are accepted, Evergo would acquire Chinese Estates' prime properties well below their market value.

Evergo said the transactions would turn it into an active investment company rather than a holding company for the stake in Chinese Estates and other listed companies. The merged company would have a market capitalisation of about HK$4.5bn and could target larger investments, the company said.

If the various transactions are completed, Mr Lau's stake in the expanded Evergo would fall to 35.5 per cent, compared with 33.7 per cent owned by former Chinese Estates shareholders.

There is also speculation about the role envisaged for Evergo by Mr Li Ka-shing, Hong Kong's most successful tycoon businessman and chairman of Cheung Kong. In May, Cheung Kong took an 8 per cent stake in the company and subscribed for a convertible note which can be converted before the end of next year at $2.80 per Evergo share.

Cheung Kong would then control more than 20 per cent of Evergo and Mr Li is thought to be interested in some of Chinese Estates' properties, which are in prime sites and could be redeveloped.

● Jardine Strategic Holdings, the holding company for important stakes in companies within the Jardine Matheson group, yesterday announced net profits for the six months to the end of June remained virtually unchanged at US$105m, compared with US$104.3m last time.

Japan's second-tier brokers face losses

NINE of Japan's 10 second-tier securities companies yesterday forecast losses for the half-year to the end of this month, agencies report from Tokyo

The revised earnings estimates follow a warning from Japan's Big Four securities companies – Yamaichi Securities, Nomura Securities, Daiwa Securities and Nikko Securities - that their results would be far below their previous forecasts due to a slump in business on Tokyo's scandal-affected stock market.

The smaller companies – New Japan, Sanyo, Kankaku, Wako, Kokusai, Okasan, Cosmo, Tokyo, Yamatane, and Dai-Ichi – also blamed poor performance on weak stock prices during a long period of low trading volume which severely reduced their commission revenues. The smaller brokerages depend more on commission revenues than the Big Four.

Among the 10 second-tier companies, Kokusai Securities was the only one expecting to stay in the black, projecting a pre-tax profit of Y2bn ($14m), down from Y23.4bn.

New Japan Securities forecast a pre-tax loss of Y22bn, the biggest deficit expected among the smaller brokerages, after a profit of Y6.4bn a year ago.

New Japan Securities said that to recover from the earnings slump the company would reduce capital spending by suspending plans to introduce new computer systems.

The eight other second-tier brokerages projected pre-tax losses ranging from Y1.8bn to Y18.8bn for the six-month period.

Brierley bids for resources operation

SIR Ron Brierley yesterday joined three other bidders chasing Mid East Minerals (MEM), an obscure Australian resources company with book assets of less than A$6m (US$4.8m), writes Kevin Brown.

Sir Ron launched a 30 cents a share offer for MEM through a bidding vehicle named Notron, valuing the company at A$6.3m. GPG, Sir Ron's quoted investment group, acquired a 19.6 per cent stake earlier this week.

The New Zealand entrepreneur's interest follows the acquisition of 16.5 per cent of MEM by an unidentified Perth-based buyer. A third bidder, also unidentified, has around 2 per cent of the capital, acquired at 31 cents a share.

The bidding race was started by Perth-based Bekins Holdings, a company associated with two local mining executives, which offered 29 cents a share, valuing MEM at A$6.09m.

MEM valued its assets at the end of the financial year in June at A$5.6m, equivalent to 26.8 cents a share. Its most important asset is a 76 per cent stake in Metals Exploration, which has cash of A$3m and is entitled to nickel royalties from Western Mining Corporation (WMC), a major resources group.

Hudson Conway boosted by sale of Pubco stake

By Kevin Brown in Sydney

HUDSON CONWAY, the Australian property group, yesterday reported net profits of A$64m (US$50.3m), after abnormal items, for the year to June, compared with A$10m in the previous year.

Hudson said most of the increase in profit had been brought about by an abnormal gain of A$54m on the sale to Fosters Brewing of its 50 per cent stake in Courage Pub Estate (Pubco) in the UK.

The group said it was taking a cautious approach to the property market and had reservations about the rate of recovery of the recession-hit Australian economy.

However, the board said it was continuing to look for opportunities outside Australia following the success of the Pubco investment.

Hudson said it would continue to develop existing properties where it could add value, but would view building activities with caution unless substantial leasing pre-commitment was available or a purchaser had been located.

The group said demolition work had been completed on the Carlton and United Breweries site in Swanston Street, Melbourne, but plans for extensive extensions could not proceed until local problems had been resolved.

The directors said they had decided not to declare a dividend, in spite of having cash in hand of A$205m at the end of the financial year. The group has since received a further payment of A$300m relating to the Pubco deal.

GFW returns to the black with A$110m

By Kevin Brown

GOODMAN Fielder Wattie, Australasia's biggest food group, yesterday reported net profits, after abnormal items, of A$110m (US$86.6m) for the year to the end of June, compared with a loss of A$86m last year.

The result confirms GFW's recovery from the problems which forced the replacement of Mr Pat Goodman, the group's entrepreneurial managing director, by Mr Michael Nugent, a former Elders director.

Mr Nugent, who took over in mid-1990, has reorganised the group along product lines, abandoning the previous geographical structure, and has cut costs by selling non-core assets and rationalising production.

He said there was "still a lot of work to be done," but the group was in "a much stronger financial and operating position than one year ago".

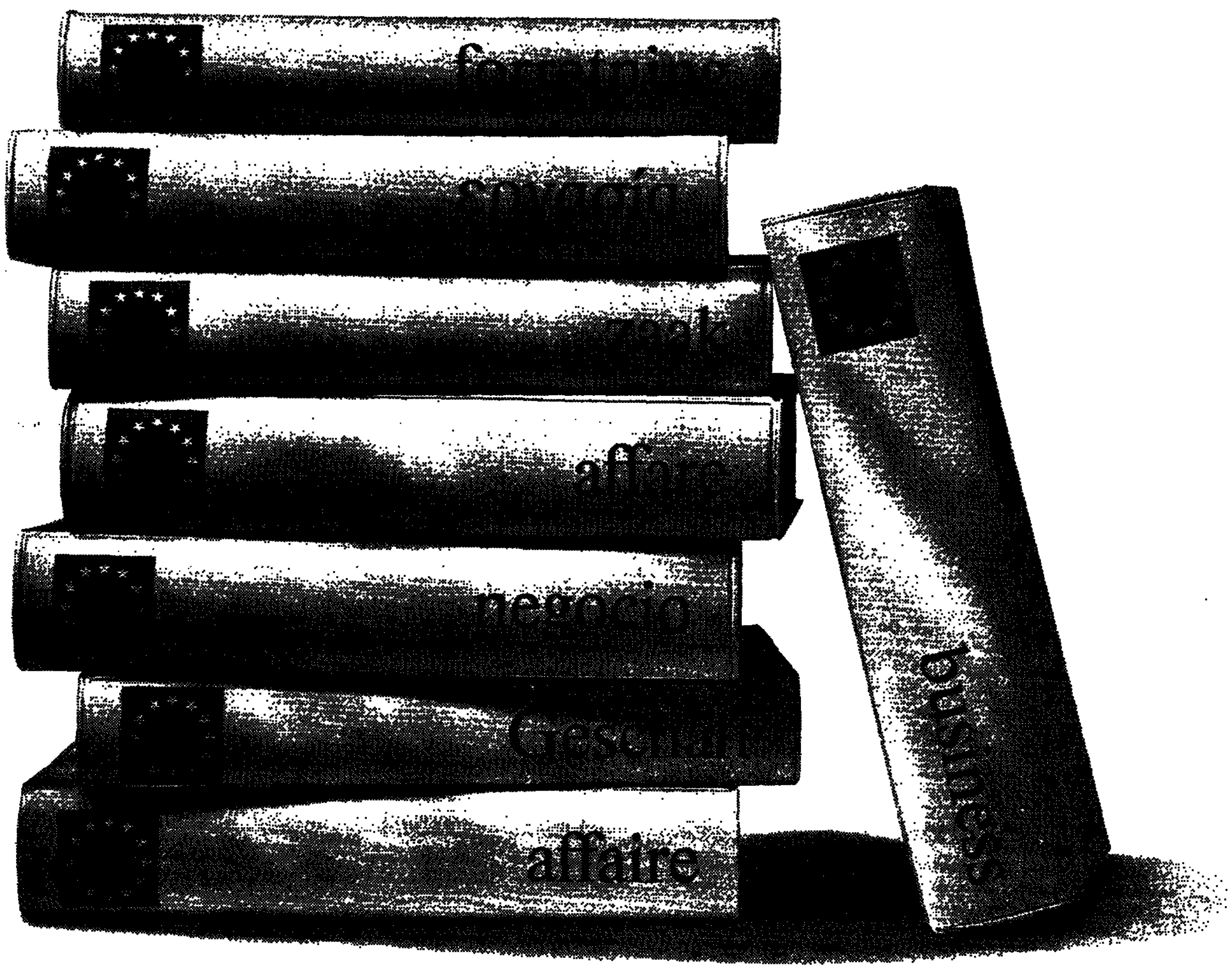
The previous year's loss was struck after writing off A$202m to cover rationalisation costs, losses on an abortive takeover bid for Industrial Equity, and a 49 per cent holding in Barcora, the vehicle for an executive share scheme. Barcora, in turn, is owned 9.8 per cent of GFW.

GFW acquired full control of Barcora for a nominal A$2 during the year, and subsequently wound up the scheme after selling the company's GFW shareholding.

The group said the consolidation of the Barcora structure brought A$131m of additional debt onto the balance sheet, partly offsetting cash generated by the sale of Petitio for A$200m and other non-core assets for A$131m.

Net profits fell 14 per cent to A$101 after a 15 per cent *increase in interest expenses to* A$97.5m and a tax bill of A$40m, compared with a tax credit of A$7m in the previous year.

What's uncommon about the Common Market?



Eliminating national boundaries in your business will not necessarily lead to boundless growth.

The momentum is beginning to pick up. The Single European Market is no longer just a vision. *It will soon become* a reality.

The closer the date of January 1, 1993 approaches, the fewer the remaining obstacles to European economic integration. Some of these impediments are small and some are large.

But of one thing you can be certain: they are definitely being overcome. The political will is there, and much of what still divides the twelve member states is on its way out.

But even with all the necessary European unification measures, just how uncommon will the Common Market actually be in just a couple of years?

The experts all agree: the Europe of the future will continue to be characterized by contrast and complexity.

Not only because of its great linguistic and cultural diversity.

But because Europe is about to be transformed into a continent of regions rather than of separate nations.

Regions which are above all engaged in strong economic competition. Regions which have numerous ways of presenting themselves in the best possible light – *a situation which complicates* decision-making for potential investors. Fortunately, there is something uncommon which is common to the entire Common Market.

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Already today, throughout Europe, *you'll find us where it counts.*

Our experienced local specialists can provide you with crucial support, all the way from overcoming the language barrier to helping you pin down the ideal site for your new business operations.

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INTERNATIONAL CAPITAL MARKETS

Treasuries held in check by initial jobless claims

By Karen Zagor in New York and Tracy Corrigan in London

US Treasuries held steady yesterday morning in thin, range-bound trading.

At mid-session, the Treasury's bellwether 30-year bond was ⅛ lower at 102¼, yielding 7.92 per cent. At the short-end of the yield curve, the two-year note was unchanged for a yield of 6.17 per cent.

The Federal Reserve entered the open market to arrange four-day system repurchase agreements when Fed funds were trading at 5¼ per cent. The adding operation was widely expected and had no policy implications.

Early trading was somewhat dampened by unexpectedly strong initial jobless claims. For the week ended September 7, jobless claims fell 17,000 to 402,000. Economists had expected a drop of about 8,000.

The numbers, however, were distorted by the Labor Day weekend.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	109.0000	+0.300	10.53	10.66	10.62
BELGIUM		9.000	08/01	98.6500	-0.200	9.21	9.18	9.46
CANADA *		9.750	12/01	102.0000	+0.150	9.44	9.52	9.71
DENMARK		9.000	11/00	99.1000	-0.120	9.14	9.14	9.37
FRANCE	BTAN	8.500	11/96	97.7600	-0.042	9.05	9.04	9.30
	OAT	9.500	01/01	103.5800	-0.150	8.90	8.86	9.22
GERMANY		8.750	08/01	102.0600	-0.140	8.43	8.42	8.59
ITALY		12.500	03/01	99.4100	-0.060	13.00	13.02	13.51
JAPAN	No 119	4.800	06/99	91.4225	-0.046	6.46	6.46	6.89
	No 129	6.400	03/00	101.5093	*	6.13	6.12	6.49
NETHERLANDS		8.500	08/01	98.0400	-0.090	8.80	8.80	8.94
SPAIN		11.900	07/96	101.5400	+0.170	11.42	11.49	11.87
UK GILTS		10.000	11/96	101-17	+02/32	9.61	9.63	10.01
		10.000	02/01	102-27	+02/32	9.53	9.63	10.01
		9.000	10/08	97-17	-01/32	9.29	9.44	9.61
US TREASURY *		7.875	08/01	101-24	-02/32	7.82	7.68	7.80
		8.125	08/21	102-04	-06/32	7.94	7.96	8.09

London closing, *denotes New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

There was also some residual uneasiness about developments in the Gulf.

■ The rally in the UK gilts market on Wednesday ran out of steam yesterday. The release of money supply figures in line with expectations had little effect on prices, and with no further economic data and no political opinion polls on the cards there appears to be little to drive the market forward.

The long gilt future advanced 3/32 to close at 96.21 on the London International Financial Futures Exchange, 3/32 up on the day. The short end of the market remains supported by expectations of a further interest rate cut.

But dealers are realising that there may be limited scope for future cuts, with sterling under pressure.

Some analysts are concerned that the market is now vulnerable ahead of next week's *£1.5bn gilt auction*. "Investors are unlikely to enter the market at current levels, when so much good news has already been discounted," said Mr Philip Tyson, an analyst at UBS Phillips & Drew.

■ Prices were unchanged in the Japanese government bond market, with the yield on the No.129 benchmark steady at 6.12 per cent. But, after a rally lasting over a month, the JGB market has lost impetus. Money supply data showing a further slowing of the economy failed to boost the market, as expectations of a cut in the official discount rate are already priced in.

■ THE German bund market lost further ground yesterday as worries that current wage negotiations are likely to have inflationary consequences. "It looks as if the wage/price spiral will force the Bundesbank to raise rates yet again," said Mr Neil McKinnon, chief economist at Yamaichi International.

He forecasts a peak of 9¾ per cent early next year in the Lombard rate, currently at 9¼ per cent.

Prices ended ¼ to ¾ point lower, in thin trading.

● Aegis, the British media company, is to issue 2.6m new shares to French investors at the same time as its shares become listed on the Paris bourse, Reuter reports.

SG Warburg France said the issue, at 206p a share, would raise £5.2m net of fees, Warburg said. Trade in the new shares in both London and Paris will start on September 27.

Aegis sought a Paris listing because its main subsidiary, Carat, is based in France. Aegis' turnover was £978.9m ($1.654bn) in the six months to June 1991 and pre-tax profit was £31.2m.

Bank of Pakistan lifts bond ceiling

THE State Bank of Pakistan (SBP) has withdrawn its 15 per cent ceiling on holdings of federal investment bonds, Reuter reports from Karachi.

The central bank imposed the ceiling on time and demand deposits in May this year, three months after opening the secondary market in government debt instruments. It ordered banks to sell bond holdings that exceeded the ceiling.

The SBP gave no reason for withdrawing the ceiling. A foreign banker said the sale of bonds and treasury bills dropped sharply following the restrictions.

Last month's bonds sale met with a poor response from primary dealers who bought bonds worth Rs829m compared with Rs1.5bn in June and Rs12bn in April.

The three, five and 10-year maturity bonds carrying an annual interest rate of 13, 14 and 15 per cent were in great demand earlier in the year.

However, sales dropped sharply in August after the restriction was imposed.

In May, the SBP said it was forced to impose the ceiling because, instead of acting as primary dealers, banks were buying bonds for themselves and switching out of treasury bills.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¾	103¼		6.81
ALBERTA PROVINCE 9 3/8 95	600	106¼	106½		7.54
AUSTRIA 8 1/2 00	400	101¾	102¼	-¼	8.17
BANK OF TOKYO 8 3/8 96	100	101¾	102	-¼	7.98
BELGIUM 9 5/8 98	250	107¾	108¼		8.09
BFCE 7 3/4 97	150	100¼	100½	+¼	7.70
BNP 8 5/8 94	300	103¾	104¼		7.07
BP CAPITAL 9 5/8 93	150	103½	104		7.01
CANADA 9 96	1000	105¾	106¼		7.38
CARCO 9 1/4 96	650	102¾	103¾	+¼	8.50
CCCE 9 1/4 95	300	105¾	106¼		7.28
COUNCIL EUROPE 8 96	100	101¼	101¾	-¼	7.68
CREDIT FONCIER 9 1/2 99	300	107¼	107⅝		8.12
DENMARK 0 98	250	58	58¼	-¼	8.24
DENMARK 8 1/4 94	150	103¼	103¾		6.97
ECSC 8 1/4 96	193	102¾	103¼	-¼	7.58
EEC 7 1/4 93	250	100¾	101¼	+¼	6.56
EIB 7 3/4 96	250	101⅝	102¼		7.33
EIB 9 1/4 97	1000	106¾	106¾		7.89
ELEC DE FRANCE 9 98	200	105¼	105¾	+¼	7.92
EUROFIMA 9 1/4 96	100	105	105¾	-¼	7.86
EXPORT DEV CORP 9 1/2 98	150	107¼	107¾	-¼	8.09
FINLAND 7 7/8 97	200	100½	101	+¼	7.74
FINNISH EXPORT 9 3/8 95	200	106	106½	-¼	7.61
FORD MOTOR CREDIT 9 1/2 93	300	103½	103¾	-¼	7.62
GEN ELEC CAPITAL 9 3/8 96	300	106¼	106⅝		7.76
GMAC 9 1/8 96	200	103⅝	104¼	+⅛	8.10
HALIFAX 9 1/2 93	200	103¾	104¼		7.04
IBM WORLD TRADE 7 5/8 93	150	101¼	102¼	+½	6.90
IND BK JAPAN FIN 7 7/8 97	200	99¼	99⅝	+¼	8.06
INTER AMER DEV 7 5/8 96	200	99¾	100¼	-¼	7.65
ITALY 8 1/2 94	1500	103¾	104	-¼	7.10
JAPAN DEV BK 8 94	150	102¼	102¾	-¼	7.02
KANSAI ELEC PWR 10 96	350	107¾	108¼	-¼	7.87
LTCB 8 5/8 93	150	102	102½		7.10
NEW ZEALAND 8 93	100	101½	102¼	-¼	7.03
NIPPON CRED BK 9 3/4 93	150	104⅝	105¼	+¼	7.25
NIPPON TEL & TEL 9 3/8 95	200	105½	106	-¼	7.52
NORDIC INV BANK 9 93	200	103⅝	104¼		6.75
ONTARIO HYDRO 11 5/8 94	200	109¼	109¾	-¼	7.28
OSTER KONTROLLBANK 8 1/8 93	200	102¼	102⅝		6.54
PETRO-CANADA 7 1/4 96	200	98¾	99	+¼	7.66
PRUDENTIAL RLTY SECS 0 99	365.216	54½	55	+¼	8.64
QUEBEC HYDRO 9 3/4 98	150	107	107½		8.39
QUEBEC PROV 9 98	200	102¾	103¼		8.39
SAINSBURY 9 1/8 96	150	104¼	105¼	+¼	7.94
SAS 10 99	200	103½	104½	+¼	9.31
SBAB 9 1/2 95	500	106	106¼		7.56
STATE BK STH AUST 9 1/4 93	100	102¾	103¼	-¼	6.95
SUMITOMO BK CAP MKT 9 3/8 93	150	103¾	104¼	-¼	7.36
SWEDEN 8 1/8 94	150	102⅝	103¼	+¼	7.04
SWEDISH EXPORT 9 5/8 93	100	103¾	104¼		6.65
TOKYO METROPOLIS 8 1/4 96	200	102¼	102½	-¼	7.72
WORLD BANK 8 3/8 99	1500	102¼	102¾		8.06
WORLD BANK 8 3/4 97	1500	105¼	105½		7.67
XEROX CORPN 8 3/8 96	100	99½	100¼	+⅛	8.50

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.49
KREDIETCORP 7 93 LFr	1000	95¾	96¾		9.63
WORLD BANK 8 96 LFr	1000	95¼	97½		9.15
UNILEVER 9 00 Fl	500	102¼	102⅝		8.63
BCE INC 9 5/8 93 C$	300	100¾	100⅞	+¼	9.29
BELL CANADA 10 5/8 99 C$	150	102¼	102¾	+¼	10.18
BRITISH COLUMBIA 9 1/4 93 C$	150	100	100½	+¼	9.17
EIB 10 1/8 98 C$	130	100¼	101¼	+¼	9.94
ELEC DE FRANCE 9 3/4 99 C$	275	99¼	99¾	+¼	9.91
FORD CREDIT CANADA 10 94 C$	100	100¼	100¾	+¼	9.88
GENERAL ELECT CAP 10 1/4 93 C$	175	101¼	102¼	+¼	9.26
ONTARIO HYDRO 10 7/8 99 C$	500	103¼	103¾	+¼	10.23
OSTER KONTROLLBANK 10 1/4 99 C$	150	101¾	102¼	+¼	9.91
QUEBEC PROV 10 1/2 98 C$	200	101¾	101¾	+¼	10.20
ROYAL TRUSTCO 10 1/4 93 C$	100	101	101½	+⅛	9.52
SWEDEN 9 3/4 93 C$	250	100¾	101⅝	-¼	9.16
BELGIUM 9 1/8 96 Ecu	1250	100⅝	100¾		8.92
CNT 7 3/8 93 Ecu	250	95⅝	96¼		10.15
CREDIT LYONNAIS 9 96 Ecu	125	96	97¼	-1½	10.09
DENMARK 7 5/8 96 Ecu	250	91⅝	92¼	-¼	9.96
EEC 7 5/8 94 Ecu	200	96¼	97¼	+¼	9.14
EIB 10 97 Ecu	1125	104¼	104¾		8.83
ITALY 10 3/4 00 Ecu	1000	109¾	110¼	-¼	9.03
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅝	101¾	-¼	8.85
BP AMERICA 12 1/4 96 A$	100	103½	104		11.16
COMM BK AUSTRALIA 13 3/4 99 A$	100	110¾	111¼	+¼	11.59
COUNCIL EUROPE 13 93 A$	50	101½	102¼	-¼	11.68
EKSPORTFINANS 12 3/8 95 A$	75	104¼	104⅝	+¼	10.92
FORD CRED AUST 13 93 A$	50	100	100¼	-1	12.85
MCDONALDS CANADA 15 95 A$	100	110¾	110¾	+¼	11.42
NAT AUSTRALIA BANK 14 3/4 94 A$	150	107¾	107¾	+¼	11.00
STATE BK NSW 14 1/4 99 A$	100	111⅝	112¼	+¼	11.92
VOLKSWAGEN INTL 15 94 A$	100	107¾	108¼	+¼	11.29
ABBEY NATL TREAS 13 3/8 96 £	100	107¾	108¼		10.47
BARCLAYS JERSEY 9 1/2 93 £	250	98¾	99¼	+¼	10.24
BRITISH GAS 12 3/4 95 £	300	106⅝	107		10.29
DEUTSCHE BK FIN 11 94 £	225	101¾	102¼		10.00
EIB 10 97 £	386.5	99¼	100	+¼	10.03
FORD CREDIT FUNDING 9 5/8 93 £	50	98	98½	+¼	10.99
INTER AMER DEV 11 3/8 95 £	75	103¾	104¼		10.03
ITALY 10 1/2 14 £	400	100⅝	101	+½	10.41
LAND SECS 9 1/2 07 £	200	87¼	87¾	-½	11.23
LEEDS PERMANENT 9 1/4 93 £	50	98	98½	+¼	10.54
NORWAY 10 1/2 94 £	200	100¾	101¼		10.01
ROLLS-ROYCE 9 5/8 93 £	150	98¼	98⅝	+¼	10.70
SAINSBURY 10 7/8 93 £	100	100¼	100¾		10.56
SKANDINAVISKA ENSK 13 1/8 95 £	100	106½	107	+¼	10.75
WORLD BANK 11 1/4 95 £	100	103½	104	+¼	10.02
ABBEY NATIONAL 0 96 NZ$	100	60½	61½		10.48
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	106	107		9.69
AIDC 7 7/8 93 FFr	600	97¼	97⅝		9.42
CREDIT LYONNAIS 10 95 FFr	3200	101⅝	101¾		9.51
EURATOM 7 5/8 98 FFr	500	93	93½	-¼	9.04

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	100¾	101¼		10.88
BULGARIAN TRADE BK 8 1/2 96	200	86	86½		12.51
DEUTSCHE BK FIN 5 5/8 96	750	89¼	89¾	+2¼	8.52
DEUTSCHE FINANCE 7 1/2 95	1000	97¾	97¾	+¼	8.32
EIB 5 3/4 98	400	86⅝	86⅝	+¼	8.49
EIB 6 7/8 95	300	94½	94½	+¼	8.49
EUROFIMA 6 1/4 98	400	89¼	89¾		8.37
FERRO DEL STAT 5 3/8 93	500	95½	95½	-¼	9.10
FIRST INTERSTATE 5 3/4 96	100	82¼	83¼		10.64
IND BK JAPAN FIN 5 5/8 96	200	88	88		8.90
IND DEV BK INDIA 6 3/8 94	200	88	88	-½	10.93
LUFTHANSA INT FIN 5 7/8 98	500	86¼	86¼	+¼	8.69
NAT BK HUNGARY 8 96	200	90	90¼	+¼	10.61
QUEBEC HYDRO 6 3/4 99	300	88¼	88¾	-¼	8.85
SWEDEN 6 1/8 98	300	88¼	88½	+¼	8.57
VENEZUELA 8 1/4 93	100	95¼	96	+¼	10.53
WORLD BANK 0 15	2000	16½	16¾		7.75
WORLD BANK 5 3/4 96	300	89½	89½	+¼	8.66
WORLD BANK 7 1/8 95	500	96½	96½	+¼	8.35

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	89	90		7.06
AUSTRIA 4 5/8 98	100	89	89½		6.79
CHUJITSUYA 7 3/4 95	50	101	101¼		7.45
COUNCIL EUROPE 4 3/4 98	250	88	89½		7.14
EEC 5 1/2 00	100	90½	91		6.93
EIB 5 3/4 93	100	97¼	97½	+¼	7.19
ELEC DE FRANCE 7 1/4 06	100	102	102½		7.02
FINLAND 5 3/8 95	150	95¼	96		6.73
GENERAL MOTORS 7 1/2 95	100	100½	100¾	-½	7.31
JAPAN DEV BK 5 1/2 94	100	96	96½		7.36
KOBE 6 3/8 01	240	97	97½		6.80
NEW ZEALAND 4 7/8 99	200	87½	88	+½	7.30
QUEBEC HYDRO 5 08	100	76½			7.53
WORLD BANK 5 03	150	84½	85	+¼	6.96
WORLD BANK 7 01	600	101¼	101½		6.79

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	96¾	97⅛		6.22
CREDIT FONCIER 5 1/4 94	20000	96¾	97¼	+¼	6.33
DENMARK 7 95	40000	102½	102¾	+¼	6.14
EIB 4 5/8 94	40000	96½	96¾		6.09
FINLAND 6 3/4 96	50000	102	102¼	+¼	6.22
GENERAL ELECTRIC 5 3/4 93	35000	98¾	99¼		6.60
INTER AMER DEV 7 1/4 00	30000	106¼	106¾	+¼	6.28
KANSAI ELEC PWR 4 5/8 94	60000	96¼	96½	+¼	6.21
NIPPON TEL & TEL 5 7/8 96	50000	98¾	98¾	+¼	6.26
NORWAY 5 1/8 95	50000	96¼	97	+¼	6.16
SNCF 6 3/4 00	30000	103¼	103¾	+¼	6.24
SWEDEN 5 5/8 95	20000	98⅛	98⅝	+¼	6.17
WORLD BANK 6 3/4 00	50000	103¼	103⅝	+¼	6.22

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.07	100.17	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.54	99.64	11.2050
BANCO ROMA 0.03 01	200	91.69	92.69	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.64	6.5000
BELGIUM 1/16 97 DM	500	100.00	100.12	9.5000
BFCE -0.02 96	350	99.91	100.01	6.1050
BNP 05	300	95.25	96.25	6.3125
BRITANNIA 1/10 96 £	150	99.12	99.32	11.2250
CCCE 06 ECU	200	99.95	100.05	9.7500
CITIZENS FED 0.15 96	100	99.45	99.92	5.9625
COMMERZBK O/S FIN 93	200	99.96	100.08	5.8750
DENMARK -1/8 96	1000	99.51	99.61	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.05	9.2813
ELEC DE FRANCE 1/8 99	400	100.44	100.81	6.0625
FERRO DEL STAT 94	200	100.55	100.80	5.9375
HALIFAX 1/10 94 £	200	99.88	99.97	11.1000
ITALY 00	500	100.66	100.76	6.3750
MITSUI FIN ASIA 1/8 96	100	99.41	99.52	5.9375
MORGAN (JP) 1/4 97	250	98.80	99.38	6.0000
NAT WEST FIN 3/16 05	400	91.50	92.50	6.5000
NEW ZEALAND 93	500	99.82	99.92	5.7500
QUEBEC PROV 01	300	96.49	96.70	6.1250
RENFE 98	500	99.89	99.99	6.0625
SOCIETE GENERALE 96	300	99.16	99.26	5.7500
STATE BK VICTORIA 0.05 99	125	98.46	98.70	6.4875
UNITED KINGDOM -1/8 96	4000	99.97	100.00	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	115½	116½	+14.30
ASDA-MFI 4 3/4 02 £	100	1.64	118¼	119¾	
BURTON GROUP 4 3/4 01 £	110	2.38	123	125	
EASTMAN KODAK 6 3/8 01	300	50.67	98½	99½	+17.09
GOLD KALGOORLIE 7 1/2 00	65	1.0554	68	69	+58.08
GOODYEAR TIRE 6 7/8 03	150	80¼	82¼	83½	+55.31
GRACE (WR) 6 1/4 02	150	42¼	96¾	97¾	+12.67
HANSON 9 1/2 06 £	500	2.5875	101¼	101¾	+16.81
HAWLEY 6 02 PREF	400	19.1	85¾	89¾	
HILLSDOWN 4 1/2 02 £	150	4.16	113¾	114¾	+84.64
INTL PAPER 5 3/4 02	200	68¼	103½	104½	+5.62
LAND SECS 6 3/4 02 £	84	6.72	87¾	88¾	+10.22
MITSUBISHI BK 1 3/4 02	300	2727.1	112¾	114¼	+2.71
OGDEN 6 02	85	39.077	71¼	72¼	+49.53
PACIFIC DUNLOP 6 3/4 97	75	3.749	109½	110½	+0.27
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	86	87	
THORN EMI 5 3/4 04 £	103	7.45	117¾	118¾	+10.23

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Swedish group to borrow A$1bn

By Kevin Brown in Sydney

NATIONAL Australia Bank (NAB) yesterday said it had been mandated jointly with Hambros Bank of the UK to arrange a A$1bn bond programme for the Swedish Export Credit Corporation (SEK).

The bond programme is the first to be announced since the federal government relaxed regulations earlier this year which prevented fund-raising in the domestic bond market by overseas governments and institutions.

Mr Michael Sheehan, NAB head of global interest rate products, said the SEK programme was likely to be the first of a number of attempts by premium rated overseas institutions to tap the domestic market.

"We are likely to see more of these issues. The World Bank has been discussed as a likely issuer, and other names have been mentioned. It is likely to become a reasonably large market in time," he said.

Mr Sheehan said the details of the SEK issue had not been finalised. However, the issue would probably be made in tranches of around A$300m at coupons and maturities reflecting market conditions.

"All these things are price-sensitive, but we are hopeful that something will come about in the not too distant future, possibly before the end of the year," he said.

The timing will depend partly on the currency markets, since SEK is expected to swap the Australian dollar funds into Swedish or US currency. SEK is rated AAA by Standard & Poor's, the US credit rating agency.

The opening of the Australian domestic market to overseas borrowers follows four years of steady growth from negligible size in 1987 to forecasts of around A$16bn in the current year.

Much of the impetus behind the growth has come from the demand for fixed interest investments from managers of superannuation funds set up following taxation reforms aimed at increasing personal savings for pensions.

Japan's Big Four placed under review

By Emiko Terazono in Tokyo

MOODY'S, the US credit rating agency, yesterday announced that it had placed the long-term debt ratings of Japan's Big Four brokerages - Nomura, Daiwa, Nikko and Yamaichi - under review for possible downgrades.

The announcement follows the securities houses' downward revisions of earnings forecasts for the first half-year to September due to a sharp slowdown in business in Tokyo after the spate of financial scandals. Nomura, Daiwa, and Nikko predicted sharp falls in profits, while Yamaichi said it would incur a pre-tax loss, the first since the mid-1960s.

Moody's said that the sluggish stock market and deregulation of the securities business had prompted the review. The recent stock market scandals have increased pressure to reduce the presence of the Big Four and to end current fixed-rate commissions.

Nomura is currently rated at Aaa, while the other three houses are rated at Aa2. Moody's added that the scandals had not affected the financial credibility of the brokerages, and that the long term changes in the financial environment were the main focus of the review.

● The Tokyo Stock Exchange and the Japan Securities Dealers Association have decided to raise fines charged for violation of market regulations.

Fines were doubled to Y100m after criticism that the current Y50m was not high enough to to act as a deterrent.

INTERNATIONAL CAPITAL MARKETS

Trevor Humphries

Dealers at Liffe show their enthusiasm for the launch; volume exceeded 15,000 contracts

Italian bond contract takes off

By Tracy Corrigan

THE first day's trading of the new Italian government bond contract on the London International Financial Futures Exchange (Liffe) surpassed already lofty expectations.

Within an hour of the contract's launch at 8.10am, over 3,000 contracts had been traded, and by the end of the day volume had exceeded 15,000 contracts, with a total value of L3,030bn. Trading was on a one tick spread.

The rival contract on the Matif, the Paris-based exchange, traded over 7,000 contracts when it was launched on September 5, and over 6,000 yesterday: (Each Liffe contract is worth L200m, twice the value of each Matif contract.)

If enthusiasm for the contract persists, Liffe is expected to launch an option on the futures contract. There is also talk that a short-term Eurolira contract may be introduced, though when this was last considered, Liffe members plumped for the successful Euroswiss contract instead.

Although initial euphoria is bound to fade a little, dealers were confident that mounting interest in the rallying Italian government bond market will continue to fuel demand for the futures contract. The cash bond market already offers substantial liquidity through the screen-based Telematica system of primary dealers.

Traders reported a strong level of interest from Italy, the battleground for prevalence between Liffe and the Matif, since each exchange is expected to dominate its own domestic market.

But the bulk of business yesterday was conducted between traders, dealers said. In particular, traders took advantage of arbitrage between the Matif and Liffe contracts.

Traders said there was some spread-playing between the German Bund futures contract and the Italian contract: dealers sold the Bund for the Italian contract, taking the view that the yield spread between the two markets is set to narrow.

"There's plenty of end-user interest but not a lot of activity yet," one trader said.

Japan reluctant over Cuban proposal

JAPANESE business is balking at an ambitious plan by Cuba, facing its worst economic crisis with the end of communism in Europe, to reschedule its commercial debt, Reuter reports from Havana.

Havana wants Japanese companies to reschedule all commercial debt and interest totalling about $1.7bn, and to invest and trade more to help Cuba repay its debts.

But the companies involved are reluctant to accept the proposals and demand that at least overdue interest be paid immediately.

Cuba stopped paying interest on its commercial debt to Japan in early 1989 and has failed to make repayments of principal as political changes in eastern Europe and the Soviet Union have drastically cut its export earnings.

According to documents on Havana's debt proposals obtained by Reuters, Cuba's foreign trade minister, Mr Ricardo Cabrisas, told the Japan-Cuba Economic Conference in Tokyo on June 17 that Cuba wanted to suspend principal andinterest payments and repay loans over five years from 1996.

Phone call will offer protection against fraud

By Barbara Durr in Chicago

TO help protect themselves against fraud, US futures investors will now be able to investigate the complete disciplinary history of futures trading firms and salespeople with a single toll-free telephone call.

The National Futures Association, the industry's own watchdog, is offering the new service, and it anticipates it will greatly assist investors to avoid fraudulent and abusive telemarketing schemes that peddle bogus or illegal commodity contracts.

Although it has offered the public information on its own disciplinary actions since 1985, it has now added to its data base the disciplinary records of the Commodity Futures Trading Commission (CFTC), the US federal futures industry regulator, and the 13 US exchanges.

Mrs Wendy Gramm, CFTC chairman, said that instead of phone calls to 15 futures industry organisations, the new service offered free, convenient "one stop shopping" for this type of information.

Dutch to avoid index-linked issues

THE Dutch government will not experiment in the 1990s with indexed-linked bonds, Reuter reports from The Hague.

Mr Wim Kok, finance minister, said: "It is not justified for the state to bear the inflation risk one-sidedly – the disadvantages of indexed loans exceed the potential advantages."

The minister said indexed loans implied too many uncertainties regarding interest charges while, on the contrary, avoiding risks should be a characteristic of the government's financing policies.

Mr Kok said he would aim to issue state loans with a relatively long average redemption time. The Dutch have mainly issued 10-year state bonds but this year it announced a 15-year loan.

South Africa returns to debt market

By Simon London

SOUTH Africa yesterday made its return to the public debt markets after a six-year absence, drawing an enthusiastic response from German investors and more cautious buying from elsewhere.

Lead-managed by Deutsche Bank, the deal was launched at DM300m – already at the upper limits of market expectations – but later increased to DM400m.

The syndicate of banks working on the issue was dominated by German institutions. Of the 10 lead banks, just three were non-German: Paribas, Kleinwort Benson and Swiss Bank Corporation.

The composition of the syndicate underlined that buying was dominated by retail investors in Germany. Private investors in Switzerland and the Benelux countries were also reported to be strong buyers.

Institutional demand was more guarded. However, Kleinwort Benson's initial allocation of about DM17m bonds was among those increased, suggesting that demand from the UK was stronger than expected.

An official at Kleinwort Benson said that buying in the UK was dominated by institutional investors, ranging from well-known pension funds to more specialist fund managers. Paribas also reported buying from the managers of high-yield bond funds in Europe.

The five-year bonds carry a coupon of 10½ per cent and were launched at par. At this level the bonds yield 1.75 per cent more than German government bonds. Many bankers had been anticipating a yield spread of closer to 2 per cent over government bonds. However, the issue traded above issue price throughout the day and ended at 100¾.

While hopes of a political settlement in South Africa have encouraged some institutional participation, the economic risk is still seen as substantial by many investors.

"Even the politically agnostic remain economic sceptics," commented one banker yesterday.

Chief among the economic concerns is that any new South African government will be forced to pursue a high-growth, high inflation economic policy to ensure full employment after two years of deep recession.

In its latest annual report, the Reserve Bank of South Africa noted that this year "higher real labour costs, sustained inflationary expectations and substantial increases in the prices of foodstuffs prevented the rate of increase of the consumer price index from declining to anywhere near its lower levels of July 1990".

Moreover, political opposition to investment in South Africa is by no means dead. Deutsche Bank and other companies involved with yesterday's issue earlier this month were omitted from the underwriting group for a C$750m issue, the largest Canadian dollar bond issue ever made in the international bond market, by the Province of Ontario.

Public pension schemes in the US, among the biggest in the world, have also taken a tough line. Earlier this month, two fund management groups, Baring Securities and Genesis Investment Management, dropped plans to launch funds for investment in South Africa. The companies were concerned that US investors would withdraw funds.

Yesterday's bond issue also drew criticism from opposition parties within South Africa. The African National Congress said in a statement that the bond issue would "take pressure away from the apartheid government at a critical time".

Other government-backed borrowers now lined up to tap the international bond market include the Independent Development Trust and the Development Bank of Southern Africa.

See Letters Page

World Bank offers fifth global bond

By Simon London

THE World Bank yesterday launched its fifth global bond offering, a $1.5bn five-year issue lead-managed by Credit Suisse First Boston.

The issue will be priced today to yield between 20 and 22 basis points more than US government bonds, the tightest yield spread on a World Bank dollar bond issue.

INTERNATIONAL BONDS

However, participants in the deal reported firm demand from the Far East and Europe, including Italian investors for whom the issue is free of withholding tax. Far from being dominated by the North American market, the deal looks likely to achieve broad geographical distribution.

Demand outside the US was boosted by the shortage of new Eurodollar bonds issued over the past few weeks and the shortage of dollar bonds trading below par in the Eurodollar market. Falling US interest rates have been matched by lower Eurodollar bond yields, pushing many outstanding issues above face vale in the secondary market.

Nomura and Nikko, the Japanese securities firms which were excluded from the World Bank deal because of the scandals which have shaken them in Tokyo, both lead-managed substantial Euro-yen issues yesterday.

The Republic of Austria came with a Y50bn 12-year issue via Nikko, priced to yield 6.25 per cent – the same as the World Bank's outstanding 10-year Euro-yen issue. The pricing was seen as very tight by participants in the deal, even in view of the issuers top triple-A credit rating.

The bonds were re-offered to investors at a fixed price of par but fell to 99.55 bid, outside full fees of 35 basis points, when freed to trade by the lead manager.

Ricoh, the Japanese electronics group, launched a contrasting Y50bn 10-year deal via Nomura. The issue, which carries a 7 per cent coupon, was placed mainly in Japan and is unlikely to trade.

Syndicate managers are anticipating many similar deals from Japanese corporations in the final quarter of this year as borrowers look to re-finance equity-warrant bond issues.

Demand for long-dated Ecu bonds is saturated, with Finland's Ecu500m bond issue launched on Tuesday still not fully placed. However, there is demand for short-dated Ecu paper from continental European investors keen to take advantage of high short-term interest rates.

LKB Baden-Wuerttemberg launched a Ecu150m three-year deal via Swiss Bank Corporation with a coupon of 9 per cent. Bayerische Hypotheken und Weschel Bank launched a Ecu150m two-year deal via Credit Suisse First Boston with a coupon of 9¼ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Republic of South Africa(a)†	400	10½	100	1996	2/1¼	Deutsche Bank
Ford Motor Credit(b)†	300	9⅛	101.20	1994	1½/1	Dresdner Bank
ECUs						
Bayerische Hypotheken(a)†	150	9¼	100.975	1993	1⅛/1.10	CSFB
LKB Baden-Wurttemberg(a)†	150	9	101.1875	1994	1⅜/1.1875	SBC
CANADIAN DOLLARS						
Kyushu Electric Power(a)†	200	10¼	99.38	2001	⅜/0.175	Daiwa Europe
YEN						
Ricoh Co.(a)†	50bn	7	101.55	2000	2/1.80	Nomura Int.
Republic of Austria(a)†	50bn	6¼	100	2003	0.35/0.20	Nikko Secs.

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from DM200m. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Thursday September 19 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Sep 18 Index No.	Tue Sep 17 Index No.	Mon Sep 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (183)	853.95	......	9.40	5.65	13.18	28.07	854.19	856.30	862.49	662.65
2 Building Materials (24)	1092.28	–1.1	8.00	5.69	15.99	33.99	1104.13	1118.87	1125.38	812.99
3 Contracting, Construction (31)	1175.97	–0.7	8.38	6.41	16.18	42.94	1184.32	1184.80	1184.04	1004.29
4 Electricals (11)	2465.80	+2.5	8.87	5.36	14.45	69.65	2405.17	2404.47	2402.53	1831.99
5 Electronics (24)	1767.56	+0.2	9.97	5.10	12.56	49.11	1764.85	1771.41	1774.65	1522.48
6 Engineering-Aerospace (8)	375.31	+0.6	16.47	6.68	7.33	14.36	373.11	368.73	374.75	402.60
7 Engineering-General (45)	494.05	–0.1	10.49	5.19	11.70	14.61	494.56	494.76	498.49	364.97
8 Metals and Metal Forming (8)	454.44	+0.2	14.42	7.77	8.42	17.48	453.56	450.26	453.78	387.31
9 Motors (12)	365.03	+0.7	8.21	6.60	15.54	14.36	362.33	359.65	362.48	265.36
10 Other Industrial Materials (20)	1619.21	+0.1	7.90	5.03	15.04	55.15	1617.48	1622.47	1642.26	1105.20
21 CONSUMER GROUP (188)	1548.76	+0.3	7.48	3.61	16.51	30.65	1543.97	1556.25	1569.43	1136.59
22 Brewers and Distillers (22)	1899.27	+0.7	8.16	3.52	14.92	34.88	1885.20	1895.11	1907.50	1389.74
25 Food Manufacturing (19)	1227.86	–0.5	9.36	4.06	13.19	26.32	1234.24	1237.82	1240.04	978.78
26 Food Retailing (17)	2556.30	......	8.70	3.30	15.03	45.01	2554.95	2633.40	2712.32	2262.88
27 Health and Household (22)	3697.18	+1.1	5.47	2.55	20.96	58.20	3656.64	3668.94	3695.62	2303.21
29 Hotels and Leisure (23)	1351.77	–0.2	8.08	5.22	15.06	37.66	1354.66	1365.42	1376.36	1120.33
30 Media (26)	1562.24	+1.2	7.05	4.54	18.50	41.89	1544.30	1533.82	1533.76	0.00
31 Packaging, Paper & Printing (18)	761.37	+0.3	7.29	4.25	16.65	22.26	759.07	759.57	759.98	481.79
34 Stores (32)	989.19	–0.9	7.68	3.77	16.96	18.14	997.83	1015.46	1025.54	736.54
35 Textiles (9)	628.24	–0.8	7.33	4.95	17.31	15.16	633.30	637.90	643.32	398.15
40 OTHER GROUPS (109)	1283.92	+0.1	9.41	5.06	13.32	35.14	1282.88	1284.17	1279.09	949.24
41 Business Services (12)	1438.05	–0.4	7.54	4.57	16.41	30.08	1443.52	1437.89	1443.24	0.00
42 Chemicals (21)	1430.08	–0.1	7.09	5.04	17.42	47.20	1431.34	1435.32	1440.08	957.43
43 Conglomerates (10)	1537.56	+1.1	9.53	6.86	12.71	37.80	1521.45	1498.15	1483.32	1239.16
44 Transport (13)	2342.95	–0.8	7.28	4.85	17.01	66.14	2362.87	2372.91	2375.15	1818.67
45 Electricity (16)	1256.20	+0.5	14.05	5.18	9.13	27.53	1249.50	1243.69	1244.56	0.00
46 Telephone Networks(4)	1563.42	+0.6	9.59	3.88	13.65	28.34	1554.45	1563.00	1540.75	1063.82
47 Water(10)	2467.85	–1.2	16.57	6.24	6.68	118.37	2499.09	2532.39	2525.80	1961.78
48 Miscellaneous (23)	1846.00	–0.7	5.42	5.37	25.53	68.99	1859.08	1868.06	1876.34	1463.87
49 INDUSTRIAL GROUP (480)	1295.22	+0.2	8.47	4.47	14.66	32.07	1293.01	1299.00	1304.46	963.18
51 Oil & Gas (20)	2396.05	......	10.90	5.79	12.12	92.84	2396.40	2389.71	2398.71	2447.33
59 500 SHARE INDEX (500)	1390.35	+0.1	8.77	4.63	14.30	36.86	1388.29	1393.47	1399.25	1083.18
61 FINANCIAL GROUP (92)	826.68	–0.4	–	5.65	–	29.98	830.34	831.53	831.29	639.57
62 Banks (9)	955.42	–0.6	4.46	5.58	42.06	36.83	961.34	966.88	969.13	663.00
65 Insurance (Life) (7)	1591.80	+0.2	–	5.32	–	60.57	1587.96	1592.32	1570.43	1280.95
66 Insurance (Composite) (6)	635.47	–0.8	–	6.91	–	28.25	640.58	641.33	648.07	552.72
67 Insurance (Brokers) (9)	1159.47	–0.7	7.03	5.83	18.62	41.27	1168.04	1167.85	1171.00	778.98
68 Merchant Banks (7)	472.15	+1.0	–	4.44	–	12.54	467.59	461.68	460.36	337.42
69 Property (36)	965.16	–0.6	5.75	4.83	24.48	22.40	970.66	964.43	957.99	845.75
70 Other Financial (18)	268.24	–0.1	10.82	6.78	11.62	9.28	268.50	268.09	267.71	243.00
71 Investment Trusts (69)	1237.06	–0.1	–	3.50	–	25.50	1238.07	1243.46	1243.11	1001.20
99 ALL-SHARE INDEX (661)	1253.48	+0.1	–	4.74	–	34.68	1252.69	1257.00	1261.32	976.33

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 18	Sep 17	Sep 16	Sep 13	Sep 12	Year ago
FT-SE 100 SHARE INDEX♦	2588.7	+5.1	2591.4	2564.5	2583.6	2594.4	2606.0	2625.8	2641.9	2016.9

FIXED INTEREST

PRICE INDICES	Thu Sep 19	Day's change %	Wed Sep 18	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	122.58	+0.01	122.57	2.09	8.52
2 5-15 years (27)	136.01	......	136.02	1.95	10.03
3 Over 15 years (9)	144.85	+0.03	144.81	0.79	10.60
4 Irredeemables (6)	162.04	–0.58	162.98	2.96	8.83
5 All stocks (70)	134.12	......	134.13	1.92	9.67
Index-Linked					
6 Up to 5 years (2)	164.60	+0.11	164.42	0.34	2.72
7 Over 5 years (9)	148.45	–0.02	148.48	0.60	3.42
8 All stocks (11)	149.55	......	149.55	0.56	3.40
9 Debs & Loans (58)	115.94	+0.88	114.94	2.20	7.83

AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 19	Wed Sep 18	Year ago (approx.)
British Government				
1 Low	5 years	8.57	8.58	11.06
2 Coupons	15 years	9.27	9.24	11.05
3 (0%-7¾%)	20 years	9.27	9.24	11.05
4 Medium	5 years	9.60	9.59	12.09
5 Coupons	15 years	9.41	9.41	11.54
6 (8%-10¾%)	20 years	9.36	9.35	11.25
7 High	5 years	9.79	9.78	12.19
8 Coupons	15 years	9.50	9.50	11.82
9 (11%-)	20 years	9.42	9.41	11.57
10 Irredeemables		9.49	9.43	11.14
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.93	3.95	4.58
12 Inflation rate 5%	Over 5 yrs.	4.22	4.21	4.32
13 Inflation rate 10%	Up to 5 yrs.	3.29	3.30	3.34
14 Inflation rate 10%	Over 5 yrs.	4.03	4.02	4.13
15 Debs &	5 years	11.26	11.31	13.93
16 Loans	15 years	10.95	11.06	13.02
17	25 years	10.71	10.83	12.70

♦Opening index 2588.1; 9 am 2590.4; 10 am 2576.5; 11 am 2566.5; Noon 2569.5; 1 pm 2568.4; 2 pm 2573.4; 2.30 pm 2574.6; 3 pm 2577.1; 4.10 pm 2585.9; (a) 8.51am (b) 10.43am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	37	34
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	289	247	967
Financial and Properties	99	116	544
Oils	10	17	61
Plantations	0	0	10
Mines	45	15	95
Others	60	17	60
Totals	514	454	1,786

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep. 9
- Last Dealings Sep. 20
- Last Declarations Dec. 5
- For settlement Dec. 16

For rate indications see end of London Share Service

Calls: Amstrad, Aran Energy, ASDA, Costain, Hawker Siddeley, Nat. Home Loans, Standard Chartered, Tie Rack. Puts: Butte Mining, Dixons. Put & Call: Nat Home Loans.

LONDON TRADED OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Alld Lyons (*601)	550	62½	75½	90½	6½	14	18½
	600	32	47½	60½	22	33½	36½
	650	19½	29½	40	53	62½	67½
Ultramar (*242)	240	11½	17½	22	5	9½	13½
	260	4	9½	12½	19½	22½	25½

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*501)	500	9	42½	63	7½	33	44
	550	½	20½	–	50	57½	–

[illegible]

UK COMPANY NEWS

Recession blunts Laporte's growth

By Richard Gourlay

LAPORTE, the specialist chemicals company, yesterday reported profits that were relatively unaffected by recession. The taxable result in the six months to June 30 fell 4 per cent from £52.5m to £50.3m.

Sales declined by 10 per cent to £302.6m (£334.7m) because of the transfer of the trading business to Solvay, the Belgian group which owns 25 per cent of Laporte.

The company enjoyed £4m of interest earnings during the period, against a charge of £5m previously. Net debt of £130m last year was reduced to nil.

Mr Ken Minton, chief executive, said the recession had a limited impact, other than "blunting" the growth of most of the divisions.

He blamed the income drop on its absorbents division, where there were commissioning problems at the Fulacolor plant in Widnes, Cheshire.

This plant – which makes paper coating chemicals – was now working at 80 per cent of design capacity, but the nine months delay in commissioning hit trading profits by about £2m, Mr Minton said.

The division was also hit by a drop in sales in the molecular sieve business. The weak Brazilian and Peruvian economies hampered the activated earth business.

The share of profits from Interox, the joint venture with Solvay which makes peroxygen products, fell from £17.2m to £16.4m. In spite of increasing demand, the company had to absorb heavy capital development and financing costs.

The organics division suffered from the destocking policies of its customers, but the order book is strong for the second half.

The metals and electronics division continued to do well and the wafer reclaim capacity in the US and Europe expanded with further investment.

Construction chemicals suffered because of the recession but was likely to benefit from the recovery beginning to emerge in the US housebuilding market.

Earnings per share fell 18 per cent to 20.1p (24.4p) and an increased dividend of 6.8p (6.4p) is declared.

BW bondholders to be offered compromise

By Robert Peston

THE THREE London clearing banks, Barclays, National Westminster Bank and Midland, were last night still opposing any proposal to offer a form of debt security to holders of Brent Walker's bonds.

But the troubled leisure group has won their agreement to a set of compromise terms, which will be put to bondholders today. However, Brent Walker's other bankers were not optimistic that the new terms would be acceptable to bondholders.

In order to avoid receivership, Brent Walker needs to secure the agreement of its bondholders to a refinancing plan. Bondholders have been insisting that they swap their bonds for some form of debt instrument, so that they would have influence in the event that Brent Walker needs to be refinanced again in the future.

In mid-June, Brent Walker's steering committee of leading banks agreed to a proposal that the bondholders should be offered a debt instrument. The bondholders accepted these terms.

However, the terms had to be approved by all 47 of the banks. Most of them agreed. However on July 5, Barclays, NatWest and Midland, who together have a relatively small exposure to Brent Walker, voted against, together with three other banks.

Negotiations with the three clearers have been continuing. Bankers said last night that a new set of terms, to be offered to bondholders, had been agreed. "We think we've agreed a reasonable compromise", said one of the clearers. Midland Bank said: "We have no disagreement with bondholders".

However, the clearers were still refusing to allow debt to be offered to the bondholders. "The outcome is extremely uncertain", said a banker. "If bondholders feel that banks have given up a little ground, perhaps they will be able to accept the new terms".

The clearers are opposing any offer of debt, because they believe it would set an unfortunate precedent. The banks are converting part of their loans to Brent Walker into equity. There is a convention in the UK that if banks are forced to convert part of their debt into equity, then other creditors should not be offered debt or other securities that ranks ahead of that equity.

However, there is a consensus among Brent Walker's banks, which are led by Standard Chartered, that in this case an offer of debt to bondholders would have no effect on the value of the banks' exposure to Brent Walker. "The banks' equity in Brent Walker is valueless. So it makes no difference if bondholders are offered an instrument which ranks ahead of that equity", said a banker.

The refusal of the three clearers to back the original offer to bondholders in July appeared to call into question the Bank of England's London Approach to company refinancings, which is intended to prevent banks with a small exposure to a troubled company from blocking a rescue. Brent Walker said yesterday that in its current discussions with the three banks the "London Approach" was being followed.

Williams posts Racal document

By Roland Rudd

WILLIAMS HOLDINGS, the industrial conglomerate which has launched a hostile takeover for Racal Electronics, will today send its formal offer document to Racal's shareholders.

The speed with which Williams has acted after launching its bid for the defence and security group on Tuesday reflects its determination to keep the battle as short as possible.

Last night its all-share offer was worth £696m.

It emerged yesterday that Williams has already sent a submission to the Office of Fair Trading about how it proposes to shed parts of Racal's businesses if its bid succeeds.

The takeover raises a number of competition issues which the OFT will have to consider.

Williams already has a significant share of the UK locks market through its recent acquisition of Yale and Valor.

According to Williams' figures it has about 33 per cent of the retail market (covering private housing and DIY demand) and 14 per cent of the commercial market (offices and factories). This compares with Racal Chubb's 37 per cent of the retail market and 25 per cent of the commercial market.

Williams, which believes there is a better long-term market in selling locks to the security conscious business world, is willing to shed all of Chubb's retail business and its own Ingersoll factory which makes retail locks. It would keep Chubb's Union Park's commercial business.

TI pays £14m for French seals manufacturer

TI Group has agreed to purchase Cyclam, a leading French maker of engineered seals, for FFr143m (£14.3m).

Cyclam, which is owned by Jaeger, a subsidiary of Magneti Marelli, achieved sales of FFr160m in 1990; operating profit amounted to FFr20m.

TI plans to invest a further FFr35m restructuring the group and integrating it into TI's existing business.

Warning triggers 45p share fall at Shanks

By Richard Gourlay

SHARES OF Shanks & McEwan, the waste management company which in January bought Rechem, the hazardous waste disposal company, for £172m in shares, fell 45p to 239p yesterday following a profits warning.

The company said that earnings per share for the year to March 1992 were unlikely to be materially different from the last year's 13p, adjusted for the recent share split.

The warning means the company has missed by some way its prediction that it would achieve annual 20 per cent earnings growth, a target it hit last year.

Less than two months ago Mr Roger Hewitt, chairman, told shareholders at the annual meeting that the company would continue to increase its earnings this year at a significantly higher rate than the market average. He added, however, that it would surprise no-one if the growth rate was below the level of recent years.

The profits warning shatters the previous belief that the waste management business is recession-proof.

First of all developers have delayed the rehabilitation of sites partly as a result of the recession in the building industry, Shanks said.

Contracts for the thermal destruction of special waste were also being delayed as industry, both in the UK and overseas, is cutting costs by stockpiling hazardous waste that would normally be incinerated.

There was also a reduction in the industrial and commercial use of landfill sites.

Mr Hewitt said contractors were delaying rather than cancelling business. Hoare Govett, the company's brokers, has cut its full-year profits forecast by £5m to £34.3m as a result of the warning.

Yesterday's share price fall cuts Shanks' rating to near the bottom of the still highly rated sector. This is despite the company's confidence that future prospects are still good and that it has lost only one year's earnings growth.

See Lex

Trevor Humphries

Bill Rooney: cash held would be 50% higher than last year's £31.3m by year end

Spring Ram bucks trend with 25% advance to £16.3m

By Jane Fuller

SPRING RAM Corporation, the kitchens and bathrooms concern, again defied gravity in the UK building products sector by increasing pre-tax profit by 25 per cent in the half year to July 5.

The rise, from £13m to £16.3m, followed a 33 per cent increase in turnover to £86.9m (£65.2m) with acquisitions contributing about £5m to sales.

The share price gained 13p to close at 142p.

Mr Bill Rooney, chairman, said the profit growth came equally from kitchens and bathrooms. "If I had to give a single reason, it would be the people involved," he said. He had brought 15 directors, from subsidiary companies and the main board, to London for the results meeting to give them a taste of the City.

He said market share must have grown in both kitchens and bathrooms from last year's 15 per cent in each. It was estimated that the markets were down by 10-15 per cent.

While shying away from saying that ground had been taken from the leaders – Magnet and MFI in kitchens, Armitage Shanks and Caradon in bathrooms – he did point out that scores of small manufacturers had gone bankrupt.

The group had intensified its marketing effort to builders' merchants. Mr Rooney said 26 per cent of sales went through them and he hoped to increase their proportion to between 35 and 40 per cent.

Independent high street shops remained the main outlets for the group and he said their sales had held up comparatively well.

In kitchens, fast growth had come from Chippendale, built up since 1989. It launched three new ranges this year. At the 500,000 sq ft Scunthorpe factory, kitchen carcass production was running at three times the level of a year ago and cupboard-door throughput had doubled.

In bathrooms, Spring and Balterley had shown strong growth and were launching new products in this half.

The amount of cash held was 73 per cent up on the middle of last year. Mr Rooney said that by December about 50 per cent would be added to last year's £31.3m. Interest received in the first half remained about the same at just over £1m.

Earnings per share grew to 3p (2.35p) and the interim dividend is 0.086p (0.072p).

● COMMENT

It is perhaps a little unkind to point out that 25 per cent growth is comparatively pedestrian for Spring Ram. It has, however, proved its worth in a different way by beating the recession.

Strong foundations were laid in the late 1980s, when subsidiaries were spun off that are now benefiting from early spadework.

The capital spending pattern has also fitted the downturn perfectly, enabling the group to build up cash while interest rates were high.

Only £3m was spent in 1989 and 1990 after a bulge that had included the huge Scunthorpe site, still only half used for production.

By 1993, it should be one of the profit engines while the next wave of factories is built.

Capital spending rises to £15m this year and £30m-plus next.

The tiny dividend illustrates the group's priorities. Mr Rooney says that a 5 per cent yield would cost £23m – "I can build two factories for that".

Investors continue to be attracted by the growth prospects, which are recognised in a prospective p/e of nearly 22 on a pre-tax profit forecast for the full year of £36m (£30m).

هكذا من الأصل

UK COMPANY NEWS

Japan's men of steel go for a new image

Kawasaki's latest £59m diversification is good news for ICI, reports Robert Thomson

KAWASAKI STEEL and its fellow Japanese steelmakers have been desperate to prove that they are not an industry in decline.

They have built theme parks, developed semiconductors and, in Kawasaki's case, conceived Vision 2000, which commits it to be "outward oriented and aggressively pursuing new business opportunities."

ICI is fortunate to have well-heeled Japanese companies aggressively pursuing new business opportunities, as Kawasaki's $100m (£59.1m) purchase of the British company's speciality compounds division proves.

Kawasaki sees the purchase as a logical extension of its interests in high performance plastics and its commitment to the development of advanced materials.

The purchase is certainly more in line with Kawasaki's skills than some of its other diversification projects. The steelmaker is a partner in a shopping complex in Phoenix, Arizona, and has dabbled in the risky Japanese condominium market with a 101-apartment complex called Soga Royal Comfort.

Kawasaki Steel has chosen electronics, chemicals and advanced materials as its "pillars" for the future, and said it was particularly interested in the ICI division's work on advanced plastics for use in cars and office automation equipment.

There is an important domestic reason for these investments and the attempts to build an image as an international industrial enterprise.

All of the leading Japanese steelmakers have difficulty attracting young workers and, apart from reducing reliance on steel revenues, international expansion is intended to bolster their domestic profiles.

Kawasaki announced its Vision 2000 plan in 1985. A year later, total Japanese steel production fell below the landmark 100m tonnes to 98m tonnes, far short of the 111.4m tonnes of 1980.

Companies launched programmes of rationalisation and diversification, as steel production was expected to continue its fall, though strong domestic growth later led to production and profit increases.

The steelmakers quickly targeted the technology and advanced materials industries as likely to carry them into the future.

Kawasaki established ties with LSI Logic, the US semiconductor maker in 1985, while Nippon Steel has produced a personal computer, and Kobe Steel has a joint venture with Texas Instruments to manufacture semiconductor products in Japan.

Kawasaki has chosen electronics, chemicals and advanced materials as its "pillars" for the future, and said yesterday that it was particularly interested in the ICI division's work on advanced plastics for use in cars and office automation equipment.

Japanese steel companies generally have been prompted to review parts of their reform programmes, as entry into the computer and semiconductor markets has been more difficult than expected, and some of their domestic property development projects are being completed at a time of falling property prices.

These trends have encouraged them to refocus on industrial opportunities, such as that presented by ICI. Kawasaki said the company was not interested in acquiring other ICI operations: "Our interest is only in this plastics business. We were not offered anything else by ICI."

The company, conscious of criticism in the US of Japanese investment, emphasised yesterday that it intends to keep all of the 400 staff, and that it has been impressed with the way the division has been run since purchased by ICI in 1984.

When Vision 2000 was launched, steel products comprised 82 per cent of Kawasaki's sales. By the end of the third Five-Year Plan, the steel content of sales is predicted to fall to 62 per cent, while engineering, chemicals and new materials will account for 23 per cent, and new businesses will comprise the rest.

UK prescriptions side helps UniChem jump 35% to £9.7m

By Bronwen Maddox

UNICHEM, the UK pharmaceuticals wholesaler, reported a jump in pre-tax profits of 35 per cent from £7.18m to £9.68m in the six months to June 30. The rise was achieved despite the loss of Kingswood GK, its largest customer, after it was acquired in May by Lloyds Chemists.

The 7 per cent rise in turnover to £452.2m (£422.4m) was attributed to growth in UK prescriptions and success in supplying NHS hospitals, even though the recession hit over-the-counter sales.

UniChem has nearly 28 per cent of the market of supplying *the UK's 11,800 chemists shops.*

Warehouse automation helped operating profits rise by 11 per cent to £9.67m (£8.73m).

Last year's net interest charge of £1.41m fell to £7,000 as the £25m rights issue on flotation eliminated debt. UniChem, which came to the market in November 1990, is still about 70 per cent-owned by more than 4,000 pharmacists, who are also its customers.

Earnings fully diluted for outstanding share options rose by 11 per cent to 6.2p (5.6p) and an interim dividend of 1.7p is declared. The previous year, when it was a Friendly Society, *it paid a distribution to its* members.

The £1m extraordinary charge represented the cost of UniChem's £75m bid for Macarthy, *owner of 175 chemists* shops. The bid was referred to the Monopolies & Mergers Commission because of concerns about competition in prescription drugs wholesaling.

Macarthy capitulated on September 10 to an £83m bid from Lloyds, although it also has to gain MMC clearance.

UniChem said: "We see no marked upturn yet but we believe we are well positioned for when the recession ends."

SelecTV returns to the black with £203,000

SELECTV, the USM-quoted television production group whose shows include Birds of a Feather and Lovejoy, has moved into the black in the year to March 31, with taxable profits of £203,000, against losses of £442,000.

Mr Michael Buckley, chairman, said that the year had "seen a great increase in the number of series produced by the group" and the company had "high hopes" for three new productions to be broadcast during the current year.

In addition, SelecTV has acquired Clement/La Frenais Productions and has signed Mr Dick Clement and Mr Ian La Frenais, creators of Porridge, for their non-American output until 1995.

The acquisition will involve the issue of an aggregate of 4m new ordinary shares over two *years – details are to be* released in due course, Mr Buckley said.

Above the line, there was the share of losses of associated undertakings of £81,000 (profits £13,000) and net interest receivable of £94,000 (£180,000). Below, earnings emerged at 0.29p (losses 0.69p) per share. No dividend is proposed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aspen Comms, Breedon, Carlisle, Cresta, Dinkie Heel, Donelon Tyson, Gresham Telecomputing, Hemingway Properties, Independent Newspapers, Inoco, Liberty, Schroders.

Finals- Abaco, Usher (Frank).

FUTURE DATES

Interims-	
Alexon	Oct. 1
Aran Energy	Sep. 27
Austin Reed	Oct. 9
Butters	Sep. 27
Etam	Oct. 3
Jakarta Fund (Cayman)	Sep. 27
Quarto	Sep. 23
Finals-	
Alliance Resources	Sep. 23
BM	Oct. 8
Bristol Channel Ship	Sep 30
Scottish Asian Inv	Oct. 7
Thorntons	Oct. 16

BTR controls 64% of Rockware

The takeover offer for Rockware by BTR has been accepted in respect of 95.8m ordinary shares (55.4 per cent) as at September 18. Since August 23, BTR had acquired a further 14.8m ordinary (8.6 per cent) and accordingly now controls 110.62m ordinary (64 per cent).

Pay-out for Parkfield creditors

The joint liquidators of Parkfield have paid out a first interim dividend of 15p in the pound to unsecured creditors of Parkfield Group, the entertainments and engineering group which collapsed last year with liabilities of £320m.

The payment, which is in line with the estimate given at the creditors' meeting on May 8, represents about half of the total estimated dividend to be paid.

There will be no payments to any of the company's ordinary or preference shareholders.

The timing and amount of further dividends depended on the agreement of creditors' claims, Mr Adrian Stanway of Cork Gully, the joint liquidator, said.

He added that the main area of difficulty would be the creditors of Parkfield's entertainments division.

UK COMPANY NEWS

Logica tumbles 58% to £3.7m

By Alan Cane

EXCEPTIONAL COSTS of £6.4m knocked Logica's pre-tax profits down 58 per cent to £3.68m for the year to June 30 1991, in spite of a 3.6 per cent rise in turnover to £197.7m. In the previous year the group, one of the UK's largest computing services companies, made taxable profits of £8.82m on turnover of £190.8m.

An unusually heavy tax charge of £4.64m (£3.53m) resulted in an after tax loss of £967,000 for losses per share of 1.6p (8.7p earnings). The company has a net cash balance of £15m, however, and the directors are recommending a final dividend of 2.35p making a total for the year of 3.5p, a 3 per cent increase.

Mr David Mann, managing director, said there were signs of an upturn but he was cautious about its effect on the current year's results.

Logica's profits have been hit hard in recent years by the recession in the UK and losses at its North American subsidiary. The exceptional costs and an extraordinary charge of £4.23m (£1.73m) represent a comprehensive package of measures to deal with the problems.

The exceptional item is made up of restructuring costs – some 400 staff were made redundant last year and a further 50 job losses are expected by the end of the year – and the cost of three years' rent and rates on office buildings which the company has left vacant and been unable to let.

The extraordinary charge represents both vacant office space and the costs of withdrawal from one of Logica's North American businesses.

Mr Mann said that for commercial reasons, he was unwilling to identify the business in question, but it had never been profitable.

He said the main change in the company's business profile had been an increase in the level of fixed-price business from 38 per cent to 52 per cent. Fixed-price contracts have been a source of trouble for a number of large computing services companies, but Mr Mann said that no part of the exceptional or extraordinary charges were related to the fixed-price business.

Government business more than trebled from 7 per cent to 18 per cent and there was a significant increase in work carried out for public utilities.

● COMMENT

There may be light at the end of the tunnel for Logica. It has cut harder and deeper than expected in what must be a final attempt to bring its troubled but vital North American business into profit. The high tax charge last year was largely the result of the geographic spread of the company's activities and should not be repeated. Furthermore, operating profits are healthy in the UK and Europe. Analysts are suggesting pre-tax profits of £12.5m this year giving a prospective p/e of 16.5.

The company has taken realistic measures to deal with its problems – especially its vacant office space – and should be set for recovery.

Continental growth helps lift Guinnness 9% to £350m

By Roland Rudd

GUINNESS, the international spirits and brewing group, yesterday reported an 9 per cent increase in first-half pre-tax profits despite some of the most difficult trading conditions it had ever faced.

Mr Tony Greener, managing director of the United Distillers operation, said the rise in taxable profits from £322m to £350m was achieved during "a significant recession" in much of the English speaking world where the group operates.

"Apart from the obvious effects of the Gulf war, retailers and distributers have been running down their stocks. In those conditions a 16 per cent increase in operating profit is pretty good." he said.

Mr Anthony Tennant, chairman, said he did not see any signs of an upturn in consumer demand in the UK or the US. About 80 per cent of Guinness's profits are made outside the UK.

The group's fastest growing market is in the Far East, which increased operating profit from £71m to £79m. Mr Greener said the Asia and Pacific markets offered the group excellent opportunities for growth.

Operating profit in North America increased by £1m to £65m, while profit in the UK rose from £69m to £75m.

The biggest gain in operating profit was in the rest of Europe which increased from £65m to £101m.

However, Guinness is concerned about the possibility of further tax rates for spirits. During the next few months it is probable that the European Community will reach agreement on minimum tax rates for wine, spirits and beer duties.

Mr Greener said: "The British government has got to take a robust stance in negotiations. Around £2bn of whisky sales are at stake. If the tax is increased a lot of jobs could be lost in Scotland."

Acquisitions worth more than £700m have pushed debt up from £1.1bn to £1.4bn, representing 42 per cent of shareholders' funds. Mr Greener said he was relaxed with the debt level since the ratio of net interest cover had only fallen slightly from 5.8 to 6.3.

Guinness believes it is difficult for small spirit and brewing groups to remain independent without building big brands. Mr Greener said: "It will be very difficult to remain independent without a niche in the market."

The board is recommending a scrip issue of one new share for every existing ordinary share.

Mr Greener said the group was uncomfortable with being one of the few big UK companies with a share price over £10. By halving the share price he believes Guinness could become more attractive to small shareholders.

The interim dividend is increased from 5.4p to 6.1p. Fully diluted earnings per share rose from 21.9p to 24.7p.

Stalled new car market cuts Davis Service by 30% to £7m

By Peggy Hollinger

DAVIS SERVICE Group, the textiles, vehicle supply and support services concern, yesterday blamed the moribund new car market for a 30 per cent drop in interim profits.

Mr John Ivey, chief executive, also warned that there was little sign of improvement for the second half. "We are not disappointed with current full-year forecasts of £16m to £16.5m," he said. Davis made pre-tax profits of £22.3m last year.

Taxable profit dropped from £10m to £7m for the six months to June 30 on turnover down almost 7 per cent at £155m. The dividend is maintained at 2.73p.

Operating profits in vehicle supply and service, which accounted for about 45 per cent of sales, tumbled by 50 per cent.

Davis Services, formerly known as Godfrey Davis, intends to reduce is reliance on this sector and has sold three of its four Ford dealerships. "We will swing heavily towards being a textile maintenance group in the second half," said Mr Ivey. Davis took an extraordinary charge of £2.2m, most of which was due to losses on the Ford dealership sale.

The textiles division boosted turnover by 5 per cent, although profits declined 13 per cent. The fall in linen hire, which caters largely for the hotel industry, was cushioned by action to cut costs and capacity following the Gulf war.

Workwear hire continued to suffer from the effects of recession on main customers.

The star performance came from support services, supplying hotel, office and hospital labour, where profits jumped 40 per cent. "Business came in early in the year and we got the benefits," said Mr Ivey.

Interest charges jumped 37 per cent, because of more cars in the contract hire and leasing business. Income from this division fell some 70 per cent, despite a 5 per cent rise in turnover. The decline in second-hand car prices was putting a squeeze on margins, said Mr Ivey.

Education cuts and the construction slowdown hit margins in the site services division, which supplies portable buildings to local authorities and the building trade. The acquisition of Presco, the steel building systems group, in April would have no impact on profits this year.

Earnings per share fell to 5.61p (7.74p).

● COMMENT

Davis appears to be going in the right direction by shedding its Ford dealerships. But that still leaves vehicle leasing, a slack market, which could hold the group back in the short term. Forecasts for the full year are about £16m, making a p/e of 12.5 and earnings per share of 12.8p. Next year looks like £20m, still below the result for 1990. Wait and see might be the best advice, despite a yield of about 7 per cent: there is little likelihood of that rising to any great extent in the near future.

NEWS DIGEST

Provisions leave Cala £7m in loss

PROVISIONS of £6m, including £1.53m in land write-downs, pushed Cala, the Aberdeen-based housebuilding and property group, into a pre-tax loss of £6.94m for the year to June 30 1991. Profits last time were £3.78m.

In spite of losses per share of 15.09p (6.81p earnings) the dividend is held at 3.4p, with an unchanged final of 2.25p proposed.

Mr Geoffrey Ball, chairman, said that the commercial property and finance subsidiaries in the south of England had been discontinued. He pointed out that the Scottish housing, finance and property subsidiaries remained profitable.

Rationalisation had left the company with three trading subsidiaries in its housing division, based in Basingstoke, Solihull and Falkirk. They would *form* the group's core activities, Mr Ball said, on which management and financial resources would be concentrated.

Directors believed that a recovery in the housing market would be slow. Although the first half would show a small loss, Mr Ball believed the group would achieve a "much more acceptable performance in 1991-92."

Turnover rose to £93.3m (£88.5m) with continuing operations at £91.5m. Losses of associated companies grew to £1.92m (£198,000), including £1.84m from discontinued operations.

Exceptional items comprised losses on commercial property write-downs of £883,000 (nil); losses guaranteed on behalf of joint venture partners £3.14m (nil) and land write-downs of £1.53m (£4.03m).

Comac returns to the black with £0.2m

"After several years of disappointing trading", Comac Group, which supplies specialist staff for the computer industry, has returned to profitability in the six months to June 30.

On turnover down to £5.27m (£5.44m), this USM-quoted group made pre-tax profits of £187,000, against losses of £66,000 last time.

Earnings were 2.01p (losses 1.08p) per share and, despite the return to the black, no interim dividend is declared.

Mr Michael Teacher, chairman, said that the board was to seek approval for a reduction of capital to enable the group to recommence dividend payments.

Bemrose static at £1.61m

Bemrose Corporation, the printing group, reported static pre-tax profits of £1.61m in the six months to June 29.

The result was struck on a fall in turnover from £23.3m to £21.5m and after an increase in associated company profits of £270,000 (£90,000) and a fourfold increase in the interest charge to £469,000 (£116,000).

An unchanged interim dividend of 4.3p is declared, payable from earnings per 25p share of 6.49p (6.26p).

The company said the difficult trading conditions had continued through 1991 and it seemed unlikely that there would be an upturn before next year.

William Sindall falls 53% to £0.43m

William Sindall, the Cambridge-based builder and civil engineer, reported pre-tax profits down 53 per cent at £432,000 for the half year to June 30, against £862,000. Turnover fell from £43.4m to £33.9m.

Mr John Mott, chairman, said the results reflected the observations made in his last annual report about the state of the economy and the construction and housing industries.

He added that he could see no improvement in the economy which would have a beneficial impact on the results for the year.

Fully diluted earnings per share were 3.95p (5.48p) and the interim dividend is maintained at 1.5p.

Waterman dips sharply to £0.1m

"The continuing decline of the property and construction sectors" were reflected in the results of Waterman Partnership Holdings, the consulting civil and structural engineer, where pre-tax profits dropped from £3.44m to £113,000 in the year to June 30.

The company said: "The downturn in business, although anticipated, has been more severe and longer than expected." However, extensive cost-cutting has been achieved: the workforce has been cut by 37 per cent; office space has been reduced by some 10,000 sq ft; salaries and staff hours are sharply down; and the directors have taken a 19 per cent pay cut. Savings should be an annual £3.5m.

Turnover fell to £10.5m (£16.4m) and work done to £11.1m (£16.3m). Interest receivable declined to £256,000 (£382,000). Earnings plunged to 0.2p (11.4p) per share and a reduced final dividend of 1p (4p) was proposed for a 2p (6.2p) total.

Jardine Strategic static at $105m

Jardine Strategic Holdings, the investment holding company of the Bermuda-domiciled Jardine Matheson empire, announced that profits after tax but before extraordinary items improved slightly from $104m to $105m (£61m) in the six months to end-June.

Turnover increased from $1.46bn to $2.28bn, and after an extraordinary profit of £13m arising from property disposals in Hongkong Land, attributable profits came out at $118m ($104m).

Earnings per share were unchanged at 14.52 cents and interim dividends of 3.5 cents per ordinary share and 2 cents per preferred ordinary are declared.

Magnolia declines 46% to £273,000

Magnolia Group, a maker of picture frame mouldings based in Southend-on-Sea, saw taxable profits fall 46 per cent from £501,000 to £273,000 in the half-year to June 30 in the wake of the recession and the Gulf war.

The company said that sales of the moulding companies were similar to 1990, export sales had shown encouraging growth, but publishing turnover was considerably lower.

The restructuring was continuing and exceptional costs of £20,000 represented redundancies. The interim dividend is maintained at 1.75p on earnings per share down 45 per cent at 3.06p (5.56p).

Highcroft Inv Tst up 12% to £420,000

Highcroft Investment Trust, the properties and securities group, lifted taxable profits by 12 per cent, from £374,000 to £420,000, in the six months to June 30 on gross income up from £436,000 to £535,000.

Bank and short-term interest rose to £47,000 (£4,000). The interim dividend is 1.65p (1.5p) from earnings per share of 5.38p (4.67p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleyard	int	2.6	Nov 1	2.6	-	7.8
APV	int	2	Nov 29	2	-	5.4
Baynes (Charles)	int	0.5†	Nov 5	0.4	-	1.2
Bemrose	int	4.3	Nov 12	4.3	-	11.75
Bentalls	int	0.6	Nov 8	0.6	-	3.85
Boustead	int	0.35	-	0.55	-	1.65
Cala	fin	2.25	Nov 28	2.25	3.4	3.4
Davis Service	int	2.73	Oct 29	2.73	-	7.98
Folkes	int	0.575	Dec 3	0.55	-	2.3
Guinness	int	6.1	Nov 4	5.4	-	18.75
Hawker Siddeley	int	10	Dec 31	10	-	25
Highcroft Inv	int	1.65	Nov 1	1.5	-	3.9
Laporte	int	6.8	Nov 13	6.4	-	17.8
Logica	fin	2.35	Nov 7	2.3	3.5	3.4
Magnolia	int	1.75	Oct 24	1.75	-	5.4
Morrison (Wm)	int	0.4†	Nov 4	0.35	-	1.55
RMC	int	6.6	Dec 2	6.4	-	19.3
Sindall (Wm)	int	1.5	Dec 5	1.5	-	6
Spring Ram	int	0.086	Dec 6	0.072*	-	0.24*
UniChem	int	1.7†	Jan 2	-	-	1.5
Waterman P'ship	fin	1	Oct 30	4	2	6.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 20.09.91: Pool purchase price £/MWh	Final Prices for Trading on 23.08.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.04	15.61	15.61
0100	16.02	15.66	15.66
0130	16.02	15.51	15.51
0200	16.02	15.51	15.51
0230	16.02	15.51	15.51
0300	16.02	15.61	15.61
0330	16.02	15.51	15.51
0400	16.02	15.56	15.56
0430	16.02	15.60	15.60
0500	16.08	15.60	15.60
0530	15.98	15.56	15.56
0600	15.98	15.65	15.65
0630	16.03	15.67	15.67
0700	17.00	16.18	16.18
0730	18.75	17.74	19.60
0800	21.58	18.54	20.42
0830	25.77	18.96	20.86
0900	31.45	22.72	24.88
0930	36.43	22.58	24.87
1000	38.94	23.75	26.12
1030	39.70	23.78	26.13
1100	39.58	23.66	26.01
1130	40.41	23.83	26.22
1200	40.01	23.83	26.21
1230	36.34	23.42	25.71
1300	31.15	22.84	25.01
1330	25.22	22.32	24.36
1400	23.30	22.14	24.15
1430	20.19	19.41	21.33
1500	20.00	19.39	21.30
1530	19.84	19.32	21.22
1600	19.42	18.79	20.67
1630	19.25	18.79	20.67
1700	22.36	18.79	20.67
1730	22.25	18.76	20.65
1800	22.01	21.99	23.96
1830	18.86	21.96	23.95
1900	21.98	18.57	20.44
1930	22.23	18.57	20.44
2000	22.36	23.20	23.20
2030	22.25	24.20	24.20
2100	18.98	21.98	23.91
2130	18.83	21.96	23.91
2200	18.52	21.96	23.96
2230	17.67	18.19	20.06
2300	16.92	17.49	19.34
2330	16.15	22.17	24.10
2400	16.05	22.17	24.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

New store openings help Wm Morrison rise 24%

By Bronwen Maddox

DESPITE "difficult conditions" William Morrison Supermarkets lifted pre-tax profits by 24 per cent from £21.8m to £27m on the back of new stores and strong underlying food sales.

Turnover at the Bradford-based group rose by 23 per cent to £532m (£434m) for the half-year to August 3 largely because of the opening of new stores in Hillsborough and Skipton.

Excluding the new arrivals, turnover in the established 49 stores rose by 8 per cent. Food turnover rose by 11 per cent, compensating for a 40 per cent fall in non-food sales as uneconomic lines were cut out.

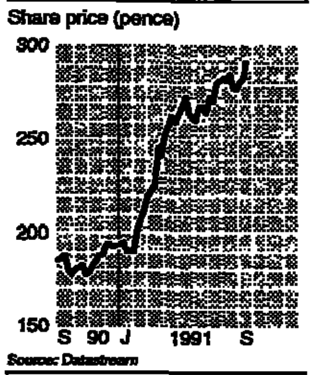
Household Potatoes, the potato packer, is now treated as a subsidiary following the purchase of the remaining 52 per cent for £700,000 in August.

In April the group paid £18m for a majority interest in an abattoir in Colne. Although loss-making in the half-year, it is now reported to be profitable.

Interest payable rose to £2.7m (£2.2m) despite capitalisation of £2.9m (£2.9m) interest on the building programme. The £90m spent on store development since the previous August pushed net debt from £70m to £100m.

William Morrison

Share price (pence)



Source: Datastream

Earnings rose to 8.59p (6.7p) per share, allowing a 14 per cent rise in the interim dividend to 0.4p (0.35p).

The company announced plans to spend some £50m in the second half opening stores at Stockton and Rotherham and completing the fresh food distribution network with a Wakefield depot.

In the next financial year it plans to spend about £100m opening a further six stores, and a further four in 1993.

Mr Martin Ackroyd, finance director, said that in the past six weeks turnover was up by 10 per cent on a like-for-like basis and "I'm certainly not feeling depressed".

● **COMMENT**

Morrison's description of its results as a "creditable performance" looks like Yorkshire understatement. It is clear from the 11 per cent increase in food sales that it is gaining share, probably at Asda's expense, even though the top of the industry continues to consolidate into the Tesco/Sainsbury near-duopoly. The group's gains must be attributed to its aggression on pricing and to the intangible value of its brand name. Both strengths will be tested in its highly tangible expansion northwest and southwards. On full year profits of £61m (£50m), earnings of 18.9p (15.3p) and dividend of 1.8p (1.55p), the prospective p/e of 15.5 and yield of 0.8 per cent express the market's belief that the group can continue to win share in a highly competitive industry without seeing diminishing returns on capital.

Service and parts business shows increase in line with inflation

Fall in new car sales leaves Appleyard 67% lower

By Peggy Hollinger

APPLEYARD, the motor distributor, yesterday revealed a 67 per cent plunge in interim profits, due almost entirely to the sharp decline in new car sales.

However, the dividend is maintained at 2.6p, depressing shareholders' funds by £228,000.

"In a very cyclical business, we believe we are expected to take a more balanced and long-term view over dividend policy," said Mr John Atkin, thebusiness development director.

He would not forecast full-year profits, except to say "We are cautious, but think it is up from here on."

Pre-tax profits for the six months to June 30 fell from £4.6m to £1.51m on turnover down 12 per cent at £218.9m (£249.6m).

"The first quarter was tough, but the second quarter was a lot worse," said Mr Atkin.

New car sales declined 22 per cent, slightly less than the national fall of 25 per cent. The service and parts business improved in line with inflation and accounted for about 55 per cent of profits, up from about 48 per cent.

This was due partly to the sale of two Ford franchises for £4.1m. Appleyard is negotiating the sale of its remaining two Ford franchises. The US car maker has seen its share of new vehicle sales decline more rapidly than many other manufacturers.

Ian Skelly, the VW dealer bought in 1989, experienced a 29 per cent fall in sales in the second quarter.

Mr Atkin said gearing had been cut from 59 per cent to 30 per cent, mostly because of gains on the franchise sales and the lease of petrol stations to Mobil for £3.5m. A squeeze on working capital had also helped.

Appleyard, which has 47 franchises covering 11 different marques, also announced the acquisition of franchises for Nissan and Saab and is in talks to buy a Mercedes Benz dealership. "These will cost us about £2.5m to £3m during the year," said Mr Atkin.

Earnings per share dropped by 69 per cent from 6.7p to 2.1p.

Increased output boosts Goal Petroleum to £3.7m

By Deborah Hargreaves

GOAL PETROLEUM, the independent UK oil exploration and production company, doubled pre-tax profits to £3.69m in the first half of 1991 as oil production rose by 25 per cent.

Production rose to 2m barrels of oil equivalent in the first half, largely from the start-up of the second stage of production at Wytch Farm, the onshore oilfield in Dorset. The increase in output along with higher prices accounted for the rise in profit.

The company said operating costs had dropped by 11 per cent a barrel during the period as the lower-cost Magnus and Wytch Farm developments made an increased contribution to profits.

Cash flow increased and Goal said it would make a $13.5m (£7.8m) repayment to banks which will reduce borrowing to $37m.

The company participated in seven North Sea exploration and two appraisal wells in the first half – four of which were successful – and is planning to take part in seven more exploration wells in the second half.

Turnover expended 30 per cent to £21.4m (£16.5m).

Earnings per share emerged at 1.6p, up from 0.38p last time.

Aerospace side lifts Chas Baynes 16%

By Bronwen Maddox

STRONG GROWTH in aerospace components lifted interim pre-tax profits at Charles Baynes by 16 per cent from £2.61m to £3.02m.

Turnover at the components manufacturer and packaging distributor in the six months to June 30 rose by 33 per cent to £34.1m (£25.6m).

Aerospace components, a quarter of the group, saw sales increase by 30 per cent and profits rise because of existing contracts from a buoyant civil aircraft market.

"Desperately tough" conditions forced a small drop in operating profits in construction component manufacturing on turnover down 20 per cent. Jobs in the division had been cut by a third to about 200, taking the group total to 1,200.

Industrial components and distribution maintained profits by concentrating on profit-related pay contracts.

Acquisitions made a "very small" contribution. In March the group paid £8.5m for the Truflo valve and aerospace component businesses and an initial £2.1m for Fist Fast Packaging, the packaging distributor.

The deals were funded by cash balances, which peaked at £5m at the end of 1990, and the £9.8m rights issue in March. At least £2m of the group's £3.2m net cash in June is earmarked for the 1993 earnout on Fist Fast.

Net interest receivable fell to £290,000 (£411,000) on lower average cash balances.

An extraordinary charge of £400,000 reflected the closure of the Manchester operations of Stoneguard in the group's "controlled retreat" from building restoration.

Earnings rose by 9 per cent to 1.8p (1.65p).

Mr Bruce McInnes, chairman, said aerospace orders for the manufacture of complex titanium sheet metal parts should add to profits next year, but other trading showed no sign of an upturn.

The 25 per cent rise in the interim dividend to 5p (4p) redresses the balance between the interim and the final and reflects the group's "cautious but positive" outlook.

NEWS DIGEST

Folkes declines to £850,000

FOLKES GROUP, the property, engineering and building products company, considered taxable profits of £850,000 for the six months to June 30, down from £1.27m, a creditable performance against the background of the recession.

Mr Constantine Folkes, chairman and chief executive, said most activities had been adversely affected. The exceptions were the property division and Clarke's Crank and Forge, where exports were ahead of the previous year.

He added that action had been taken and the workforce cut by 20 per cent since the beginning of the year.

The second six months was expected to be better, but annual profits would still be down.

Turnover was higher at £23.4m (£30.5m) with earnings per share coming out at 1.57p (2.34p). The group also provided a pro-forma earnings figure of 1.85p on the assumption that shares bought for cancellation on July 1 had been cancelled on December 31.

The interim dividend is raised to 0.575p (0.55p).

US growth behind Telemetrix rise

Telemetrix, the electronics and information systems group, reported pre-tax profits for the first half of 1991 ahead 30 per cent at £2m, against £1.53m.

Turnover improved from £33.3m to £39.9m, an increase of 20 per cent.

The company credited a reduction in costs from the reorganisation of its information systems side and the improved performance of GTI, the US subsidiary, mainly the result of growth by Valor Electronics, acquired in August last year.

Earnings per share were unchanged at 1p because of higher minorities of £556,000 (£206,000) resulting from the improvement by GTI.

Bentalls lower but expects upturn

Taxable profits at Bentalls, the Kingston upon Thames-based department store group, fell almost £100,000 to £207,000 in the half-year to August 3.

The result, down from £301,000, was struck on turnover slightly reduced at £30.6m (£30.7m) and after interest charges of £93,000 (credit £14,000).

Mr Edward Bentall, chairman and chief executive, said that sales had been severely affected at the beginning of the trading year by the snow, but had improved towards the end of the half.

Earnings slipped to 0.3p (0.44p) per share and the interim dividend is held at 0.6p.

Boustead at £1.04m and warns on year

Sharply reduced pre-tax profits of £1.04m were announced by Boustead, the manufacturing and technical services group, for the half year to June 30, against £2.45m.

Mr Tommy Macpherson, chairman, said trading in the quarter to September had been poor and he anticipated profits for the year would be "significantly less than in 1990."

In the first half, the UK management had to cope with substantial volume shortfalls in a number of key sectors and significant pressure on margins. Performance had been affected by the recession and fall in business confidence after the Gulf war.

Surplus assets had been sold, including Lam Tong House in Singapore.

Turnover was static at £40.7m, with Bousteadco, the 65.4 per cent owned Singapore-based subsidiary, contributing £21.3m (£19.2m). Earnings amounted to 0.7p (2.1p) per share and the interim dividend is cut to 0.35p (0.55p).

UK COMPANY NEWS

David-Weill leaves helm of Lazard

By Robert Peston

MR DAVID Verey has replaced Mr Michel David-Weill as chairman of Lazard Brothers, the London merchant bank, in which Pearson, the publishing group which owns the Financial Times, has a 50 per cent interest.

Mr David-Weill became chairman of Lazard Brothers two years ago, after the retirement of Sir John Nott, the former defence secretary. He is one of the world's most powerful investment bankers, as senior partner of Lazard Frères in New York and the leading partner of Lazard Frères in Paris. (French law prohibits the appointment of senior partners.)

"I consider my job done," said Mr David-Weill. "I wanted to ascertain for myself that the move towards full co-operation of the three firms was realised and to reassure the two other firms about the contribution of Lazard Brothers."

"It was a slight inconvenience to Lazard Brothers to have an absentee chairman, since part of the chairman's role is a public relations one with clients," he added. "As regards the taking of day-to-day management decisions, David Verey has been doing that already."

Mr Verey became chief executive of Lazard Brothers last year. He is 41 and is the youngest chairman of a leading City merchant bank.

Lazard Brothers was founded as a branch of the French bank 120 years ago. Its chairman has traditionally been British. Mr David-Weill said that, as a Frenchman and descendant of Lazard's original founding family, he was an anomaly as chairman of Lazard Brothers.

He is 58 and will remain firmly in control of the Paris and New York operations. He is becoming deputy chairman of Lazard Brothers.

Mr David-Weill said that in 1990, the three houses worked together on 20 deals for clients, demonstrating their new spirit of co-operation. "Five years ago, we would have worked together on practically none."

"I don't believe in league tables," he said, "but Lazard in New York was classified as the leading mergers and acquisitions house in the first six months of the year."

He added: "In the current year, the decrease in profits is marked and equal in London and Paris. New York is ahead of last year."

Trevor Humphries

Power shift from Michel David-Weill (left) to David Verey

Lower orders leave APV down by 41%

By Jane Fuller

A 17 PER CENT drop in the intake of orders hit APV's sales of food-making equipment in the first half of this year and pre-tax profit fell by 41 per cent from £24.6m to £14.5m.

Turnover was 10 per cent down at £402.9m (£446.5m) and operating profit fell 29 per cent to £20.5m (£28.9m). Additional restructuring costs – provisions of £19.5m were made last year – led to an exceptional charge of £2.1m.

Mr Fred Smith, chief executive, said the latter half of last year had seen the biggest fall in orders for many years. Recession effects were worse than anticipated in the UK and political uncertainty undermined markets in the Middle East and the eastern bloc.

"Last year we had £100m sales in the eastern bloc, this year it will be almost nothing," he said. Altogether about 80 per cent of sales lay outside the UK. Other areas where demand had flagged included Australia and China.

Sir Peter Cazalet, chairman, said that by June the order book had recovered to a similar level to the year before. In July and August, order intake was more than 20 per cent up.

The German and French markets had continued to be strong and the US was showing signs of picking up. However, South America was not good and "Australia remains closed".

Mr Neil French, finance director, said tighter financial controls and restructuring had cut costs. The workforce had been reduced by 11 per cent to about 12,500.

Reorganisation had comprised sorting out acquisitions made in the late 1980s, dealing with unprofitable operations, particularly in the US, and scaling down in response to the UK recession.

Capital spending had, on the other hand, been increased to £17.6m (£14.3m) as a new factory at Peterborough was completed.

Net debt rose by nearly £29m to £84.7m, gearing of 59 per cent, between the year-end and June 30. A third of that was accounted for exchange rate changes. Shareholders' funds showed some recovery to £144.9m (£130.4m).

Earnings per share fell to 3.3p (5.7p). The interim dividend is again held at 2p.

● COMMENT

In the 18 months since APV gained a new chairman and finance director, the sorting out of past laxity has coincided with the freezing of some markets. They came in too late to prevent a disappointing performance from a food-related business, with a broad spread of markets, that should have proved resilient. Since this time last year, when the share price fell by a quarter to 69p, the stock has rightly been rerated. Its cash management has improved, the erosion of shareholders' funds seems to be over and it has taken action to reverse the fall in profit margins. This leaves a better organised company to take advantage of the growing international consumption of processed food, from buns and yoghurt to fizzy drinks. All of this is in the price, however, after a 32 per cent outperformance of the market this year. The prospective multiple is 18 on a pre-tax profit forecast of £32.5m for this year. Recovery prospects are reflected in predictions of £42m for 1992 and even £56.5m for 1993. It remains a hold for long-term benefits.

Invesco launches £40m trust

By Philip Coggan, Personal Finance Editor

INVESCO MIM, the fund management group, is hoping to raise £40m for Drayton Recovery Trust, a split capital investment trust with a seven-year life.

The trust is offering up to 20m preferred growth and 20m ordinary income shares via an offer for subscription, underwritten with respect to 7.5m shares of each class.

The preferred growth shares, issued at 100p, will be repaid at 207p when the trust is wound up in 1998, provided that assets grow by 1 per cent a year over the period. The shares will receive no income.

The ordinary income shares, also issued at 100p, will carry an initial yield of 10.4 per cent and will be entitled to the surplus assets of the trust, once the preferred growth shares have been repaid.

If the trust's assets grow at 1 per cent per annum, the ordinary income shares will have no value on wind-up; if the growth rate is 7 per cent per annum, they will have a wind-up asset value of 104p.

Personal equity plans are attached to each type of share allowing private investors to hold up to £6,000 of either class of share in a tax-free form.

The trust will initially invest substantially in larger stocks in the capital goods sector, as a recovery play, but it expects to increase the exposure to smaller companies over the lifetime of the trust. The overall yield on the trust is expected to be about 6.2 per cent.

Lord Rippon, a member of the 1970-74 Heath government is chairman of the trust and Mr Tim Congdon, the economist, is a non-executive director.

Applications must be received by October 10 and dealings are expected to start on October 17.

Aitken Hume accounts qualified

By David Barchard

A DISPUTE over the purchase of Bachmann Group has led Coopers & Lybrand Deloitte to qualify the 1990 accounts of Aitken Hume International, the financial services group.

Bachmann, a Guernsey–based financial services operation, was bought by Aitken Hume last year and contributed £906,000 of the group's £1.5m pre-tax profits.

Coopers say in a note to the accounts that Bachmann's vendors claim there is £5.7m outstanding, while the company puts the figure at £2.1m.

The note points out that it has also not yet been established whether the further consideration should be paid in ordinary shares or cash.

"We are unable to form an opinion both as to the amount of the addition to investment in subsidiaries and of the adequacy or nature of the provision," Coopers & Lybrand Deloitte write.

The directors' report says that the two sides involved in the sale have been unable to reach agreement and the matter has been referred to an independent firm of chartered accountants for arbitration, and it has made provisions of £2.1m for the sale.

Booker disposal raises £11.4m

Booker, the food distribution and agriculture group, has sold its Booker Nutritional Products arm for £11.4m cash.

The purchaser is Ferrosan, a subsidiary of Novo Nordisk, the Danish insulin and industrial enzymes producer.

Booker Nutritional Products is a supplier of vitamins and dietary supplements to pharmacies, drugstores and health food shops, and has annual turnover of some £16m. Booker is retaining BNP's Allinson flour business. The proceeds will be used to reduce debt.

Aegis aims to reduce debt via £5.2m French placing

AEGIS GROUP, the media and communications concern, is undertaking a placing of 2.6m new ordinary shares in France at 206p each in connection with its planned listing on the Paris Bourse.

The issue is expected to be placed with institutions and other investors to raise about £5.2m net of expenses.

The placing is intended to provide liquidity for the company's shares on the Paris market and to develop further its international shareholder base.

The proceeds will be used to reduce debt.

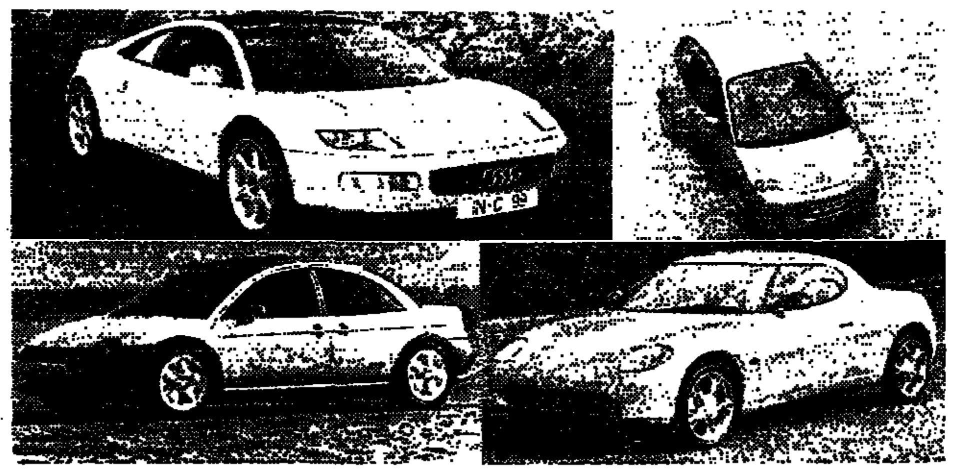
The placing has been fully underwritten by SG Warburg France and Banque Indosuez.

Directors also said yesterday that results for 1991 would be satisfactory, but would be affected by low spending in the first three months and weak economic performance in France, the UK and Scandinavia.

TECHNOLOGY

John Griffiths highlights the innovations on display at this week's Frankfurt motor show

Driving towards the green lights



Clockwise from top left: Audi Quattro Spyder, VW Chico, Toyota AXV-IV and Dodge Neon

To even a casual stroller around the stands, it is apparent that this year's Frankfurt motor show marks a watershed between the speed and performance-obsessed 1980s and the more complex and demanding environmental challenges of the 1990s.

The industry is at a turning point in which issues of environmental cleanliness, improved economy and traffic congestion are taking precedence over more traditional motoring values. "There seems to be hardly anything the automobile is not blamed for," complained Eberhard von Kuenheim, BMW's chairman.

But while von Kuenheim was vigorously defending Germany's speed-unlimited autobahns as helping the country's car industry to retain its technical edge, the main show innovations by the sporting Bavarian manufacturer had nothing to do with speed.

They were a new catalytic converter-equipped diesel engine, the E 1 electric car prototype powered by sodium-sulphur batteries and an estate car version of BMW's mid-range 5 series saloon.

Volkswagen/Audi, which has just become the first European car company to set up a specific "environment and transportation" division, was one of the few manufacturers to unveil what might be described as a two-seater "supercar" of the type which flooded motor show stands around the world in the late 1980s.

However, in unveiling the "Audi Quattro Spyder", Ferdinand Piech, Audi's chairman, depicted it as primarily a design study to demonstrate how the seemingly contradictory goals of high performance and environmental "responsibility" might be reconciled through what he describes as "intelligent technical solutions". The vehicle itself is unlikely to go into even limited production.

The Spyder is, therefore, a demonstration of the aluminium construction techniques Audi is expected to introduce into more sedate production saloons later in the decade. The Spyder's tubular aluminium frame and body panels are 40 per cent lighter than a steel equivalent and 100 per cent recyclable. An important design element of the package was that it had to be capable of series production without changes to the basic concept.

Volkswagen's own concept efforts took the form of the Chico, a compact city car which, it suggests, could provide both private transport and form the basis of a "park and ride" system to ease urban congestion. Only 3.15m long, it has combined hinged and sliding doors for easy use in confined parking spaces.

The car is designed to set new safety standards for a small vehicle, with the capability to withstand a 35mph head-on crash and incorporating protective air bags for both driver and passenger. The front passenger seat can be turned through 180 degrees so that small children can be carried facing rearwards.

The drive system is flexible, allowing either conventional petrol or diesel engines to be fitted or, as in the case of the show prototype, a hybrid petrol-electric system in which a six-kilowatt electric motor operates in combination with a small petrol or diesel engine. The two power units are each linked to the transmission by automatic clutches.

The Chico, like the larger Eco-Golf, also on show at Frankfurt, has a gear-change but no manual clutch. The driver merely moves the lever. The Eco-Golf, likely to enter limited production next year, uses the concept to allow its diesel engine to be switched off completely during significant parts of the urban operating cycle, such as rolling up to and waiting at traffic lights. The engine restarts automatically in response to accelerator pressure – according to VW, typically around 70 times on a 20-mile mixed driving route.

Both vehicles are in line with VW environmental goals of improved fuel consumption and reduced emissions, although VW's engineers have yet to resolve the application of the Eco-Golf system to a petrol unit, because of the latter's slower starting characteristics relative to a diesel.

The concept of a lightweight commuter car, while still using conventional fuels, is being shown in its most adventurous form, however, by Japan's largest manufacturer, Toyota. The two-plus-two seater AXV-IV uses an aluminium honeycomb, magnesium and carbon fibre-reinforced plastics for its body structure, with single leaf spring suspension also made of plastic composites.

This aggressive weight saving allows the use of an advanced prototype two-stroke petrol engine, with five valves per cylinder and producing 64bhp from only 800cc. The entire vehicle weighs 990lbs.

Innovative thinking about more creative approaches to body design, however, was not confined to European and Japanese producers. The Dodge Neon, on show for the first time in Europe, reflects originality by Chrysler, the US's third largest car maker, through the "cab-forward" concept to new materials and engines to maximise economy.

The main ingredients of the "cab-forward" concept are that the engine compartment is made sufficiently small to allow the windscreen base to be located directly above the front wheels, maximising passenger space at the front of the car. Part of the concept is also to push all four wheels as far as possible to the corners of the vehicle, again to maximise overall interior space.

The Chrysler car reflects the belief of Tom Gale, design and general manager of Chrysler's minivan operations, that by the mid-1990s many North American families will be seeking family cars no larger or heavier overall than current economy cars. Thus Neon represents a search for a scaled-up North American "Mini", capable of carrying four people and their luggage comfortably but within very compact dimensions – by US, if not European, standards. It is 13.9 feet long and 5.5 feet wide.

The small engine compartment has been achieved through an ultra-compact, fuel-injected two-stroke engine of only 1.1 litres. It weighs 40 per cent less than a conventional four-stroke engine of this size, but produces over 100 bhp – enough, claims Chrysler, to propel the car at 100mph-plus speeds due to its light weight and low aerodynamic drag.

The boot can be opened conventionally or slid out on rollers for easier loading and unloading. The seats can be lifted out, for use as lawn chairs, as can the stereo.

In common with other big manufacturers, Chrysler was careful to stress that nearly all components are recyclable, with their materials clearly identified to make the recycling process easier. Even Gale, however, found it hard to convince his Frankfurt audience that the Neon's on-board "trash compactor" was intended as a serious contribution to clean highways.

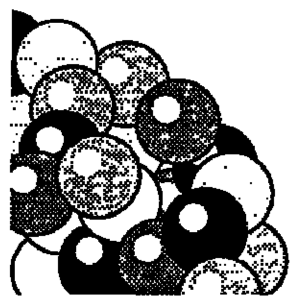
Neon will never see a production line. But the cab-forward concept and some, at least, of Neon's other ideas will be incorporated in Chrysler's next generation of family cars, carrying the LH code-name, the first of which are due to be launched before 1993.

German motor manufacturers, in particular, however appeared almost as concerned with the environmental issue of "unbuilding" its cars as building them. Since the show opened, every German manufacturer has committed itself to taking responsibility for recycling its cars at the end of their useful lives.

However, the main lesson learned during the operation of BMW's pioneering pilot recycling plant at Landshut during the past year, von Kuenheim indicated, is that the large-scale centralised disassembly factories originally envisaged are not practicable.

"Accordingly we assume that the infrastructure already available for this purpose will be put to optimum use". In other words, the vehicle industry will work jointly with the existing scrappage industry to process used car mountains.

Von Kuenheim envisages that each car maker will have the right to choose and advise the waste management companies, and that a formalised buy-back pricing system will be put in place between the scrappage industry and cars' final users. The scheme, suggests von Kuenheim, "would give owners an incentive to keep their cars in good condition even after many years".



WORTH WATCHING

Della Bradshaw

Computers for spendthrifts

WHEN corporate budgets are under pressure, purchases of new personal computers often get squeezed out, writes Louise Kehoe. Responding to the austerity measures of many customers, Compaq Computer this week launched a range of PCs designed to appeal to spendthrifts.

Compaq's "modular" PCs can be upgraded or repaired with plug-in subsystems that extend the life of the machine and increase performance at significantly lower cost than purchasing a new PC.

Optional plug-ins for the Compaq machines include central processors, graphics processors, disc drives, memory boards and a larger power supply. Corporate buyers could keep replacement units in stock for instant repairs. The units will also appeal to those anxious to avoid PC obsolescence.

The new PCs are based on Intel microprocessors – the 386/25 MHz, the 486/16 MHz the 486/25 MHz SX and the 486/33 MHz. Prices range from $3,099 (£1,800) to $3,899, about $100 above the prices of equivalent models without modular features.

Welding gas turns green

AN innovative gas mixture, which provides a healthier environment for arc-welding, has been launched in the UK.

Developed by Aga, the Swedish industrial gas company, the mixture reduces the amount of ozone produced during the welding process. In confined areas ozone can cause breathing difficulties when inhaled.

Aga has reduced ozone production in its Mison gas mixture by adjusting the components of the shielding gas – the gas which shields the cutting gases from the atmosphere, and so improves the welding process.

Ozone is produced by many shielding gases when they break up during the welding process under ultraviolet radiation. Aga has added a small amount of nitric oxide to the gas cocktail, which reacts with ozone to produce oxygen and nitrogen dioxide. Although unpleasant, nitrogen dioxide can be tolerated in larger quantities than ozone.

Repeat carefully after me . . .

VOICE recognition technology has long been mooted as a way of preventing fraudulent access to computer networks. Olivetti Systems & Networks, of London, has now developed a commercial product based on the techniques.

It has developed a smart card, a credit card-sized plastic card incorporating a chip, which can store voice impressions, and so be used to verify the identity of the person trying to use the computer.

When each card is issued the user has to repeat a series of words three times. Using a special recording machine these utterances are recorded on the chip. When the person then wants to sign on to the PC, say, he or she has to insert the card into a reader and repeat the words. The machine allows three attempts before it bars access. The voice print can also be checked over the phone line, if required.

Olivetti believes the system will be used in conjunction with other means of access control, such as passwords, and will prove particularly attractive in electronic data interchange (EDI) applications, to prevent abuse of, say, cheque authorisation.

Colour copier learns to print

THE demand for high-quality colour desk-top publishing has propelled Electronics for Imaging, of San Bruno, California, to devise a way of turning a Xerox plain paper colour copier into a printer with a high enough resolution for office publishing.

The Fiery printer controller transforms the Xerox 5775 machine into the equivalent of a commercial quality colour printer, says the manufacturer. This will enable desk-top computer users to produce images with a resolution of 400 dots per inch.

Based on technology developed at the Massachusetts Institute of Technology, Fiery enables users to print 7.5 pages of images a minute.

Data traffic gets out of the jam

AS large organisations link their computer networks together they usually discover that they have several types of network running different protocols. The routing equipment needed to link the diverse networks can often slow down transmission or prove the weak link in the network chain.

Wellfleet Communications, of Bedford, Massachusetts, has introduced the Backbone Node router which can transmit data at the rate of 250,000 packets a second – with each packet carrying 64bytes of data. Wellfleet believe this is high enough to carry multimedia or computer-aided design drawings over the same network as mainstream computer data.

Wellfleet also uses a special architecture to eliminate the risk of the Backbone Node router failing. Each of the processors – and there can be 13 of them – is connected to each of the four paths, so that if one one of the fails the data is simply re-routed.

Motorway cones take nearest exit

BRITISH prime minister John Major's pledge to remove traffic cones from motorways could become more of a reality with a barrier system which replaces the traditional cones and amber lights.

The Lighthouse system, developed by ILB, of Dorset, comprises high-intensity amber lights built into upright posts. The posts are held in place by heavy bases made from recycled rubber, and linked together by bars, which lock the posts in place.

As the barriers will be used to mark holes in pavements as well as trunk roads and motorways, the interlocking system could even prove the downfall of the cone-stealing thief on a Saturday night.

Contacts: Compaq: US, 713 370 0670. Aga: Sweden, 46 8 731 1000; UK, 0224 704822. Olivetti: UK, 081 785 6666. Electronics for Imaging: US, 415 742 3400. Wellfleet: US, 617 275 2400; UK, 0494 474700. ILB: UK, 0202 881133.

No end in sight to Covent Garden's own comic opera

By Vanessa Houlder

If Covent Garden's flirtation with property development were made the subject of an opera, it would be comic, noisy and very long. For seven years, there have been been various denouements, bizarre sub-plots and a welter of passionate proposals and vehement rejections.

While there has been more posturing than action, this may soon change. Last week, the Royal Opera House won planning consent for a small, preliminary scheme to move some changing rooms and replace them with offices, shops, a restaurant and wine bar.

When this scheme is completed next June, the hoped-for profits of £5m will provide funds for some improvements and pave the way for a £150m scheme embracing shops, offices and sweeping improvements to the opera house itself.

Nonetheless the go-ahead for the present comparatively minor project is stirring strong emotions. Mr Dick Ensor, chief executive of the opera house's development project, bills it as "a huge step forward – rather like putting a man on the moon".

The Covent Garden Community Association, which has consistently opposed commercial development, is sceptical. It believes that the opera house should aim for more modest improvements, which could then be financed by a public appeal.

The community association fears that the opera house is starting a cycle of piecemeal development in which more and more projects will have to be undertaken in the hope that it can eventually raise enough cash to finance improvements to the building.

"It is a crazy approach, because it makes you reliant on external forces," says Mr Jim Monahan of the community association. "One is not surprised when you have an opera house with a board littered with property developers," he adds.

Though philosophical differences between developers, community and artists provide the basis of the plot of the Covent Garden "opera", it is overlaid with other strands: conservation, politics and the turbulent fortunes of the commercial property market.

It began in the early 1980s, when the opera house decided it had to improve its Dickensian facilities. Pre-first world war submarine engines were still being used to raise the stage and sets were often reassembled painstakingly by hand. This added to the costs and meant Covent Garden could not share facilities with continental opera houses.

By international standards, opera-goers got a raw deal too. The Crush Bar lived up to its name and the amphitheatre was stiflingly hot in summer.

Covent Garden's prime problem was raising the cash for improvements. It could launch a public appeal but the only other option seemed to be to build shops and offices on land around the theatre. In 1985, Mr Jeremy Dixon was appointed as the architect to work on the design, which won conditional approval from Westminster City Council in 1987.

If Covent Garden thought it was home and dry, it reckoned without the Covent Garden Community Association. This was formed in the 1970s to combat office development in the area, which it thought would drive out the existing vibrant mix of homes and businesses. Save Britain's Heritage and the Royal Fine Art Commission were also critical of the opera house's plans. Even the proposed improvements to the theatre were faulted for not providing enough space for storage and scenery.

Mr Denis Vaughan, the conductor, lobbied vigorously for a Performing Arts Centre encompassing the opera house. The plan was to seek support for the scheme from a wealthy benefactor or through a national lottery.

Covent Garden Community Association took its case to court and lost. But the opera house was on the brink of gaining final approval from Westminster council in February 1989, when it emerged that the opera house had been in contact with Tottingham's, an Ohio-based development company. The US developer proposed building a type of wild west theme park instead of offices.

While the opera house denied taking these plans seriously Westminster council had become suspicious, because of a leaked suggestion that the opera house would try to make amendments after the plan was approved. It decided to delay its approval.

The opera house submitted new plans, which were approved in May 1990. By then, however, the property market was starting to collapse and Covent Garden decided to postpone its development plans.

It decided, however, to seek permission for a small scheme because it wanted to press ahead with rehousing its tenants in Russell Street in order to get vacant possession of the buildings, which are due to be demolished. The tenants, Maxwells, the restaurant, and the Brahms and Liszt wine bar, will be offered accommodation in the converted ground floor of the opera house's rehearsal studio building in James Street.

It also wanted to make improvements to the opera rehearsal room and upgrade the dressing rooms. The community association is cynical about these changes, which will involve, says Mr Monahan, "incarcerating staff in the subterranean vaults of Floral Hall".

The proceeds of the development are due to go towards the rebuilding of the opera house. But in such a project £5m is small beer and the community association is not alone in worrying whether the idea ofredevelopment is truly viable up at a time when rents and values of commercial property have tumbled in central London.

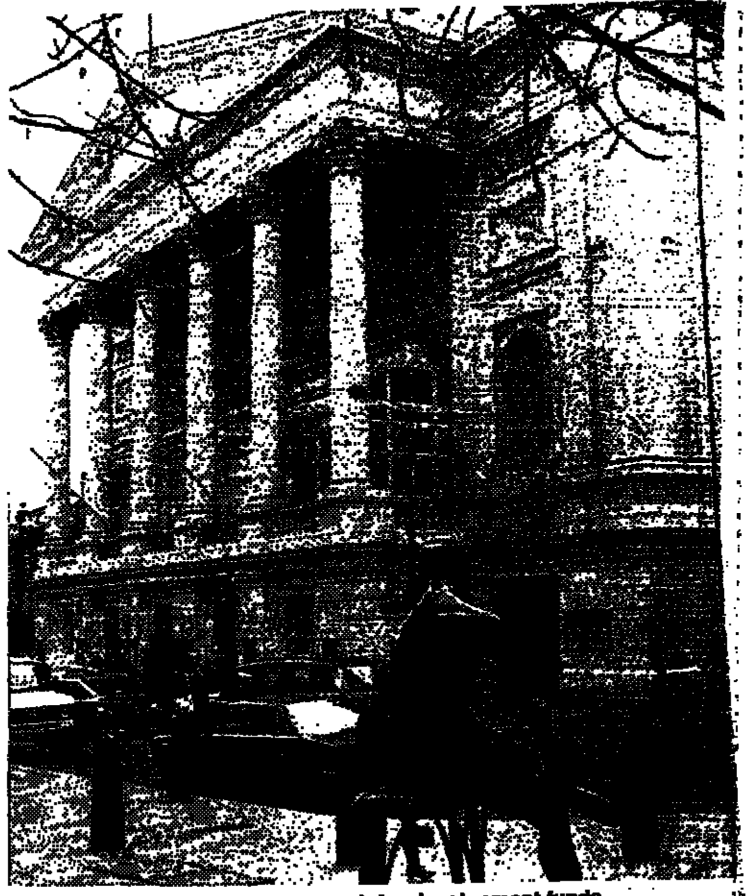
Mr Ensor is optimistic. He argues that the costs of development have fallen faster than property values, which had dropped by about 20 per cent. "The scheme is marginally more viable than before," he says.

The vagaries of the property market and the protracted planning process have delayed the projected starting date for redevelopment to 1996. Work is unlikely to be completed before the end of the century and sceptics wonder whether it will ever materialise. Mr Ensor, however, refuses to be downhearted. He compares the refurbishment of the opera house to the construction of the Channel tunnel. "If they can do that for £2bn," he says, "surely we can do this for £300m?"

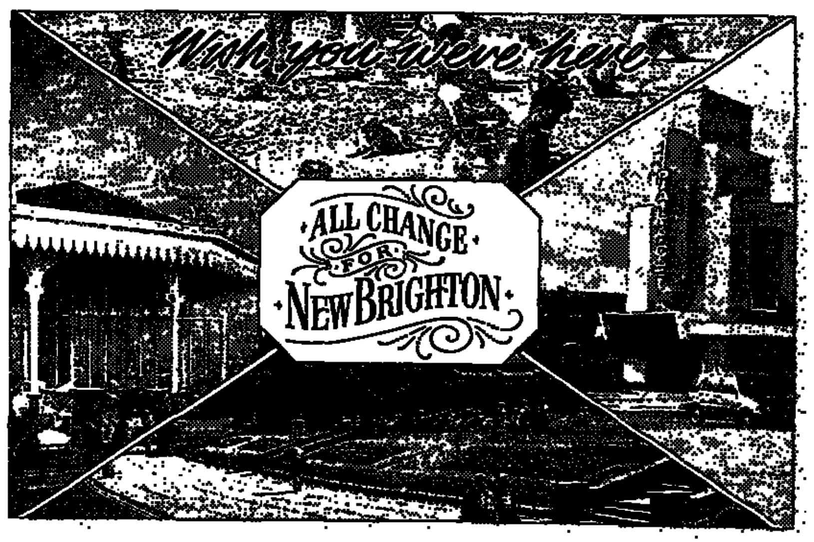
TOTAL RETURN (%)

	Retail	Office	Industrial	All Properties
Year to July 91	−3.0	−10.9	0.3	−5.6
Quarter to July 91	0.7	−2.2	2.0	−0.2
Month of July 91	0.1	−1.3	0.4	−0.4

Investment Property Databank



Royal Opera House: tortuous search for development funds



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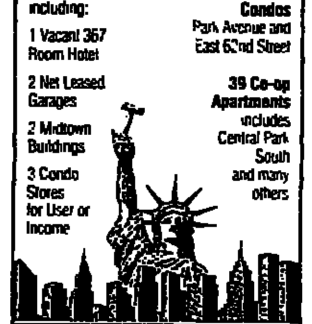

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COMMODITIES AND AGRICULTURE

Opec has room to raise prices and output

Ahead of next week's Geneva conference, **Deborah Hargreaves** examines the oil market

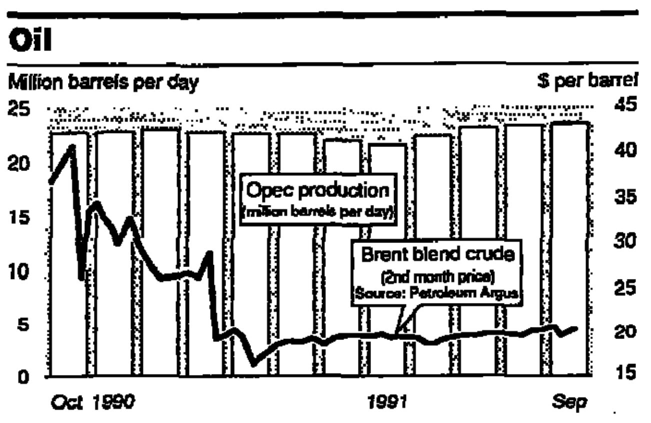
WORLD OIL demand in the fourth quarter is expected almost to catch up with supply. This gives the Organisation of Petroleum Exporting Countries, which meets next week in Geneva, a chance to boost production or reach its price targets for the first time since the Gulf war. *It could well do* both.

Almost everyone agrees the oil market in the fourth quarter is going to be tight. Western demand is set to rise for the first time this year as economies pull themselves out of recession, and if the winter is cold, supplies could be stretched.

Rising demand gives Opec the chance to abandon its quota system since all countries will have to produce to capacity just to satisfy fourth-quarter demand.

Opec has informally abandoned quotas anyway. While it maintains an overall output ceiling of 22.3m barrels a day, actual production has been well above that at an average *of 23.5m b/d in the past few* months.

Saudi Arabia is keen to maintain the organisation's current flexible approach to quotas and there is every sign that the kingdom will carry on producing close to 8m b/d whatever the conference decides. Saudi Arabia has been rebuilding its floating storage at a rate of 300,000 b/d since August – it now totals 15m barrels – in order to provide a cushion against possible supply disruptions in the last three months of the year.



The market will be finely-balanced in the fourth quarter and any further disruption in oil exports from the Soviet *Union or very cold winter* could cause a price spike.

Mr Mehdi Varzi, oil analyst at Kleinwort Benson, believes demand is being underestimated and that companies are not building stocks to the extent they usually do at this time of year. He predicts a rise in world consumption to 67.3m b/d in the fourth quarter.

In the final quarter, Opec expects a call on its oil of 23.5m-24.5m b/d, which could make it raise its output ceiling to around 24m b/d. Rising demand would absorb this extra production, leaving prices – currently at $19 a barrel for the Opec basket – unchanged or firmer.

However, the organisation has to balance this against the desire of some of its smaller producers, notably Algeria, to bolster prices by sticking to current production levels. Opec will be sensitive to these views since it understands the delicate position of Algeria's interim government.

Nevertheless, even Mr Gholamreza Aqazadeh, Iran's oil minister and a former price hawk, has been talking of a rise in output and Saudi Arabia has been pushing this view for several months, which makes it likely it will prevail.

"*The market is in good* shape, there is more upside potential than downside," said Mr Oystein Berentsen, senior crude trader at Statoil.

One element underpinning the oil market's current strength is the uncertainty surrounding output from the Soviet Union. Soviet exports averaged 2.3m b/d in the first half of the year, according to the International Energy Agency, down from 3.1m b/d in the same period last year.

Some industry sources are predicting that the current disarray in the country could knock production down from the current level of 10.2m b/d to 8 or 9m b/d in two to three years time. Consumption is not dropping as quickly, which could mean the Soviet Union becomes a net importer.

For oil market optimists, this paints a rosy scenario for the return of Iraqi and Kuwaiti oil to the international scene.

The market barely flinched yesterday when the United Nations said it had agreed a plan for Iraq to export $1.6bn-worth of oil. Iraq's contribution to the world market could total 500,000 b/d by the year end, but this may also be absorbed by rising demand. Sanctions are unlikely to be lifted completely while Saddam Hussein's regime remains in *power and this will curtail the* country's effect on the market next year.

Kuwait is currently producing 150,000 b/d and this will rise to 300,000 b/d by the year end.

In the meantime, the Brent market for North Sea crude remains fairly strong at $20.35 for October delivery. Brent is in demand since world stocks of low-sulphur oil are much lower than those of heavy oil such as heating oil and gas oil. The Brent market is unlikely to be much affected by the outcome of next week's Opec meeting unless it is dramatically different from expectations.

The meeting's outcome will be determined by Saudi Arabia's ability to persuade the smaller Opec producers that it takes their price ambitions seriously. Their hopes are currently centred around $21 a barrel. This may mean Saudia Arabia cannot increase output as much as it wants.

Soviets need grain credits, says wheat council

By Richard Mooney

THE SOVIET Union will need further export credits from exporting countries and "possibly" some rescheduling of *longer-term debt* if it is to meet its 1991-92 grain import requirements, the International Wheat Council warned yesterday.

In the first issue of its regular Grain Market Report since last month's abortive Soviet coup d'état, the council estimated USSR grain import needs at 35m tonnes. That was unchanged from its August 1 report but the balance between wheat and coarse grain requirements was reversed at 19m tonnes and 16m tonnes respectively.

"Perhaps too much emphasis has been given to Soviet economic problems, while insufficient attention has been devoted to the mutual interests of the USSR and major trading countries," the council suggested. "Grain suppliers must realise that shipments to the USSR of all grain in 1991-92 could reach 35m tonnes, accounting for 18 per cent of total world trade in those grains. Since no other *market outlets can replace the* USSR, then surely the question that needs to be resolved is how these huge requirements can best be met."

The council said that facilitating the Soviet Union's access to surplus food supplies in grain exporting nations should be viewed as an opportunity to enable it to play a fuller role in international trade as well as helping to offset "the stagnation besetting world grain trade".

The IWC report contained further cuts in 1991-92 world production forecasts for both wheat and coarse grains. The wheat forecast was reduced from the 555m tonnes projected at the end of July to 552m tonnes, while the coarse *grains forecast was down to* 792m tonnes from 922m tonnes. In 1990-91, world wheat production totalled 597m tonnes and coarse grains production 821m tonnes.

The reduced wheat forecast reflected lower estimates for the Soviet Union, China, Argentina and Australia, which were only partly offset by better prospects in Canada and the EC. Coarse grains were cut because of setbacks to production in the Soviet *Union, Australia and* the US, where severe drought is expected to cut maize output to the lowest in four years.

The IWC has lifted its 1991-92 consumption forecast for wheat to 571m tonnes from 567m tonnes in its August report, while it has cut that for coarse grains from 833m tonnes to 812m tonnes.

Prospect of coffee agreement recedes

By Richard Mooney

HOPES that the world coffee market *will emerge in a signifi*cantly healthier state after next week's London meeting of the International Coffee Organisation appear to be fading.

Unless they change their minds at a meeting today, African producing countries will be seeking the revival of the International Coffee Agreement's export quota scheme, while Brazil, Colombia and some Central American countries will be pushing for a stock retention scheme as a quicker way of lifting prices out of the present depression.

For most consuming countries the re-imposition of export quotas, which were suspended two years ago, would be the preferred means of providing long-term price stability. However, that could take up to 18 months to come into effect and they recognise that more drastic action is needed in the short term. For this reason they may support the retention scheme – under which 10 per cent of production would be held back – as a stop-gap measure.

That scheme would have to operate outside the international agreement if a similar delay was to be avoided, and that would mean securing *independent finance*. Brazil is expected to release $144m of blocked coffee sector financing for the purpose but other countries' would have to seek funds from private institutions, and it is for that reason that the approval of ICO consumer members is important.

The bulk of Latin American arabica coffee producers need a price rise of about 12 cents to $1 a lb to get *back to the* break-even level and another 10 cents to be "at all comfortable", according to Mr Lawrence Eagles, analyst at GNI, the London futures trader. And he says most Africans, produc*ers of the coarser* robusta variety, would need 60 cents a lb, 18 cents above the present level, to make a modest profit.

A recent rise encouraged by worries about dry weather in Brazil, by far the biggest producer, has been trimmed back this week and *little* reaction was seen yesterday to a Brazilian Ministry of Agriculture forecast that the 1992-93 crop would be 30 per cent down on the current season.

Mr Eagles explained that traders tended to take little notice of early Brazilian forecasts. At this time last year, he noted, the ministry forecast a crop of 22m bags (60 kg each) for the 1991-92 season, which yesterday it estimated at 26.8m bags. No realistic forecast for 1992-93 would be available until December or January, he suggested.

India sanctions jute exports

By Kunal Bose in Calcutta

TO earn foreign exchange and arrest the fall in domestic raw jute prices, the Indian government has sanctioned the export of 200,000 180kg bales of fibre to general currency areas in the current season (July-June).

The minimum price and the *export arrangements* will be decided by the jute commissioner.

India will also export another 50,000 bales to the Soviet Union and other rupee trade agreement countries.

According to officials, the prevailing low prices for fibre and the recent devaluation of the Indian rupee make export feasible. However, Bangladesh, a regular exporter of raw jute, has recently dispensed with a minimum export price and will offer stiff competition. What will also go against India is that it is entering the world market nearly three months after the season has started.

The export drive will concentrate on low-grade fibre since growers are finding it increasingly difficult to get local buyers at minimum prices. But as Mr Rnde, jute commissioner, *pointed out*, some superior quality jute will also have to be offered to make the package acceptable to foreign buyers.

The government-owned Jute Corporation of India and private traders will export raw jute to convertible currency countries. *In the past*, raw jute was directed to designated countries.

It is debatable whether exporting 200,000 bales will make any significant impact on jute prices in the Indian village market, where there have been reports of distress sales. Jute mills, which are facing a liquidity crisis, are still not buying jute in large quantities.

In a bid to shore up the market, the Jute Corporation has started price-support operations (buying fibre at minimum prices) in a number of districts in Bihar and Assam. However, as the corporation is facing severe financial limits this season, its market support operation is falling far short of requirements.

While the jute commissioner's office maintains the crop will total 9m bales for the second consecutive year, *the trade* believes 1991-92 output will not be less than 9.5m bales. Stocks brought forward in the current season total around 1.8m bales.

The commission is unlikely to allow imports of raw jute for producing jute export goods as devaluation has made imports expensive.

US grain exporters push to end set-aside system

By Nancy Dunne in Washington

US grain exporters are urging the Bush administration to abandon the set-aside programme for US feed grains next year so as to help address Soviet food needs and boost US competitiveness and world market share.

The North American Export Grain Association, which represents the $30bn industry, warned of "excessive US reliance on acreage adjustment". Some analysts warn, however, *that ending the set-aside could* lead to a massive build-up of stocks like the kind which plagued world agriculture in the 1980s.

Mr Steven McCoy, president of the association, said difficulties in the Soviet market, delays in international agriculture trade reforms and problems in the management of the US agriculture export promotion programmes have "seriously eroded the competitive position of the US export grain industry".

He said: "There is a growing realisation among US farm groups that we are putting ourselves in an uncompetitive posture by the degree to which we idle agriculture. The most effective tool the US has from the competitive standpoint is *its productivity*."

Mr Richard Lugar, the ranking Republican on the Senate agriculture committee, has indicated that September 30, the day the US must announce its crop set-aside programme for next year's feed grains, will provide a key indication of the administration's intentions.

Happier days forecast for cocoa producers

By Richard Mooney

HAPPIER DAYS lie ahead for cocoa producers, according to a market analysts' report published yesterday.

"We believe the market is now entering a new phase," said the Gill & Duffus Cocoa Market Report published by E.D. & F. Man. "It is moving from a long sequence of [production] surplus years which has led to a sustained downward trend in prices, to a sequence of deficit years which will reduce stocks and lead to a sustained upward trend in prices."

The report forecast that stocks would be reduced in the 1991-92 season *by 148,000* tonnes to 1.34m tonnes, ending a seven-year run of increases that began when the total was 463,000 tonnes that lifted stocks to a record 1.49m tonnes.

It noted that the last time a prolonged period of structural surplus ended, in the mid-1960s, seven consecutive years of surplus were followed by four years of deficit.

Gill said the forecast decline mainly reflected reduced production prospects in Brazil because of the cumulative effects of poor husbandry and reduced inputs of fertilisers and pesticides resulting from unremunerative prices. The same factor was expected to cut crops in West Africa, where dry weather was also hitting yields.

"Only in Indonesia does there appear to be the potential for substantial growth," it added, "and even here *this* potential may be curbed by the effects of recent dry weather."

The report put the gross world crop in 1991-92 at 2.32m tonnes, which was reduced to a net 2.3m tonnes after allowing for loss of weight in processing. That compares with *1990-91's net output of 2.43m* tonnes. Seasonal bean grindings, the standard indicator of consumption, were forecast to rise from 2.33m tonnes to 2.45m tonnes.

Gill also reduced its estimate of the 1990-91 production surplus to 102,000 tonnes, compared with the 139,000 tonnes it was forecasting in its May report. It said the decline in the size of the overall surplus since 1988-89's 321,000 tonnes would have been greater but for a significant increase in Indonesian production.

Danish dairymen cheesed off over Romanian aid

By *Hilary Barnes* in Copenhagen

IRISH eyes were smiling on August 29, when an EC food committee decided to send a consignment of Irish and British cheddar and emmenthal cheese to Romania as food aid.

But there were scowls in Denmark, as the Romanians had requested feta, the crumbly white Greek-style cheese, which is a speciality of the Danish dairies, and the Danes therefore lost an order worth about DKr55m (£4.8m).

The Danish dairy office, which represents all the dairies in Denmark, was swift to point the finger of suspicion at the EC's agricultural commissioner, Mr Ray McSharry, or his Irish staff, for deftly favouring Irish farmers.

The accusation has been hotly denied by the officials concerned, who say they were not aware that there were any stocks of feta available, while there happen to be large stocks of cheddar.

This has not satisfied Denmark's minister of agriculture, Mr Laurids Tornaes, who yesterday said that he was demanding an investigation into how and why the Romanian request for feta (a semi-hard white cheese widely eaten in the Balkans and Middle East) was not met.

His predecessor, as minister, Mr Niels Anker Kofoed, now a member of the European Parliament, is also pursuing the matter.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices continued to rally at the London Metal Exchange as heavy buying of cash metal widened the backwardation (premium for cash metal over forward delivery) which had been re-established in a very small way at Wednesday's close. Dealers said the market was gearing up to test upside resistance as the cash price gained £13.50 to £1,340 a tonne and the three months quotation rose £8 to £1,333.75 a *tonne. In contrast, aluminium* traders saw Wednesday's tentative rally wiped out by a $16.50 fall for cash metal to $1,188.50 a tonne, the lowest since the high-grade contract was launched in 1987. The fall followed an overnight denial by Alcan Aluminium that it had closed a potline at its Sebree smelter in Kentucky. A report to that effect had encouraged Wednesday's $10 rally. Heavy merchant selling of cash delivery nickel wiped out early gains and sent the price down $137.50 to a 1991 low of $7,487.50 a tonne. The gold price continued this week's slow recovery with a $1.05 rise to $348.85 a troy ounce. Overnight *gains in the New York market* followed the news of US warplanes being sent to Saudi Arabia. And in Tokyo buying was encouraged by the dollar's strength against the yen.

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Crude oil (per barrel FOB)		+ or -
Dubai	$17.35-7.40z	-0.05
Brent Blend (dated)	$20.35-0.50	-.125
Brent Blend (Nov)	$20.30-0.35	-0.10
W.T.I (1 pm est)	$21.60-1.70	-.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$247-249	-1
Gas Oil	$194-195	-1
Heavy Fuel Oil	$72-73	
Naphtha	$203-206	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.85	+1.05
Silver (per troy oz)♣	407.5c	-1.0
Platinum (per troy oz)	$355.70	+0.60
Palladium (per troy oz)	$82.35	+0.10
Copper (US Producer)	110.0c	+1.5
Lead (US Producer)	34.0c	
Tin (Kuala Lumpur market)	15.00r	-0.02
Tin (*New York*)	259.0c	-0.5
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	101.88p	-2.28*
Sheep (dead weight)†	103.01p	-6.32*
Pigs (live weight)†	81.01p	+4.50*
London daily sugar (raw)	$237.0j	+1.5
London daily sugar (white)	$290.5j	+1.5
Tate and Lyle export price	£248.0	+1.5
Barley (English feed)	£114.0x	
Maize (US No. 3 yellow)	£141.5u	-1.5
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)♥	51.50p	
Rubber (Nov)♥	52.00p	
Rubber (KL RSS No 1 Oct)	222.0r	
Coconut oil (Philippines)§	$457.5t	
Palm Oil (Malaysian)§	$325.0t	
Copra (Philippines)§	$297.5t	+2.5
Soyabeans (US)	£162.5	+2.0
Cotton "A" Index	89.85c	-0.15
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Sep/Dec u-Oct x-Sep y-Aug/Sep z-Nov }-Oct/Nov. †Meat Commission *average fatstock prices*. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Oct	205.60	204.00	204.00	202.20
Dec	190.00	186.60	185.00	174.00
Mar	189.00	191.60	192.80	189.00
May	188.40	191.00	190.80	187.40
Aug	191.80		197.00	190.40
White	Close	Previous	High/Low	
Dec	285.5	287.0	287.5	284.5
Mar	285.0	287.0	287.5	284.0
May	281.5	284.0	283.7	282.0
Aug	282.5	285.0	284.0	283.5

Turnover: Raw 1243 (708) lots of 50 tonnes. White 1440 (1049)
Paris- White (FFr per tonne): N/A

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	20.30	20.41	20.42	20.29
Dec	20.25	20.37	20.33	20.22
Jan	20.13	20.24	20.23	20.13
Mar	19.88	19.95	19.90	19.88
Jun	19.52	19.75	19.52	19.52
IPE Index	20.39	20.26	20.39	

Turnover 19567 (10149)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	196.25	195.00	195.25	194.25
Nov	197.50	197.25	197.50	196.25
Dec	198.25	197.75	198.25	197.00
Jan	195.75	195.25	195.50	195.00
Feb	*190.00*	*189.75*	*190.50*	*189.75*
Mar	183.75	183.50	184.00	
May	174.50	174.00	175.00	174.50

Turnover 3468 (7910)lots of 100 tonnes

FRUIT AND VEGETABLES
EVER POPULAR bananas are very reasonable this week at 42-60p (50-65p) a lb, reports FFVIB. English early Worcester apples are 40-45p (40-45p) a lb, French Golden Delicious 55-60p (55-60p) and Bramleys are 40-45p (40-50p). Grapes are a good buy, especially Cyprus and Greek Thompson varieties at 75-85p a lb (75-85p). Top quality broccoli is superb at 50-60p a lb (50-55p), along with sweetcorn at 30-45p per cob (35-45p), cauliflower at 40-50p each (35-45p) and potatoes at 12-14p a lb (12-14p). Tomatoes are abundant at 30-45p a lb (35-45p) and are this weeks best salad buy. English cucumbers are 35-50p each

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	719	723	720	714
Dec	752	760	761	745
Mar	788	797	794	784
May	808	816	814	804
Jul	828	836	832	824
Sep	846	855	851	844
Dec	868	876	872	866
Mar	892	900	896	890
May	910	918	912	909
Jul	929	935	930	927

Turnover: 3936 (9463) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 18 962.64 (949.64) 10 day average for Sep 19 943.64 (940.79)

COFFEE – London FOX			£/tonne	
	Close	*Previous*	*High/Low*	
Sep	511	502	510	501
Nov	535	522	536	519
Jan	556	541	556	540
Mar	571	560	570	556

Turnover:3035 (7071) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 18 : Comp. daily 66.64 (66.50) 15 day average 67.16 (67.08)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	135.0	85.0	133.0	
Apr	126.4	125.5	126.4	124.0
May	142.0	140.0	138.0	

Turnover 315 (668) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne	
	Close	*Previous*	*High/Low*	
Oct	136.00	137.50	137.50	136.00
Dec	138.50	140.00	140.00	138.50
Apr	144.50		144.50	

Turnover 47 (45) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point	
	Close	Previous	High/Low	
Sep	*1563*	*1573*	*1566*	*1565*
Oct	1690	1706	1707	1690
Jan	1728	1734	1735	1735
Apr	1728	1736	1740	
Oct	1605		1600	
BFI	1541	1542		

Turnover 80 (117)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	115.85	115.50	115.85	115.80
Nov	117.65	117.45	117.75	117.60
Jan	120.95	120.80	121.10	120.95
Mar	124.05	123.90	124.20	
May	127.10	127.00	127.25	127.00
Barley	Close	Previous	High/Low	
Sep	111.95		112.10	
Nov	114.10	113.70	114.30	114.10
Jan	117.75	117.40	118.00	

Turnover: Wheat 392 (647), Barley 110 (149).
Turnover lots of 100 tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Oct	108.0	105.5	108.0	
Nov	108.3	*108.5*	*108.5*	108.0
Feb	106.5		106.5	
Apr	109.0		110.0	
May	109.0		111.0	

Turnover 18 (48) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev	High	Low	Vol
Indx	*135.73*	*135.04*			
Oct	135.90	136.00	136.20	135.90	80
Nov	136.30	136.20	136.50	136.30	95
Dec	136.50	135.90	136.90	136.50	185

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,248 lots
Cash	1188-9	1204-6		1193-4		
3 months	1216-7	1235-6	1231/1216	1222-3	1217-8	105,792 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,572 lots
Cash	1339.5-40.5	1326-7	1340/1337	1339.5-40		
3 months	1333.5-4	1325.5-6	1338/1331	1333.5-4	1336-7	114,274 lots
Lead (£ per tonne)						Total daily turnover 1,689 lots
Cash	309.5-10.5	310.5-1.5	311	310.5-1		
3 months	319-20	320.5-1	321/320	320.5-1	319.5-20	13,713 lots
Nickel ($ per tonne)						Total daily turnover 2,683 lots
Cash	7475-500	7620-30	7625/7620	7615-20		
3 months	7530-50	7670-80	7730/7540	7695-700	7530-40	16,896 lots
Tin ($ per tonne)						Total daily turnover 779 lots
Cash	5575-85	5580-90		5585-90		
3 months	5655-60	5660-70	5660/5635	5660-5	5635-40	5,790 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,507 lots
Cash	1029-30	1027-9		1026-7		
3 months	1049-9.5	1048-9	1049/1046.5	1046.5-7	1049-50	29,659 lots

LME Closing £/$ rate:
SPOT: 1.7285 — 3 months: 1.7093 — 6 months: 1.6935 — 9 months: 1.6783

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	348.60-349.10	
Opening	349.80-350.20	
Morning fix	349.55	202.204
Afternoon fix	348.60	201.643
Day's high	349.90-350.20	
Day's low	348.20-348.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.21	6 months	5.07
2 months	5.16	12 months	5.01
3 months	5.11		

Silver fix	p/fine oz	US cts equiv
Spot	236.90	409.50
3 months	242.80	*414.90*
6 months	248.40	420.45
12 months	260.35	432.90

GOLD COINS	$ price	£ equivalent
Krugerrand	349.00-351.00	202.00-204.00
Maple leaf	359.00-361.00	208.00-210.00
New Sovereign	83.00-85.00	48.00-50.00

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
500	36	64	2	8
550	7	32	23	26
500	1	14	67	58
Cocoa	Dec	Mar	Dec	Mar
725	58	93	26	30
750	38	78	37	40
775	30	64	53	51

Brent Crude	Nov	Dec	Nov	Dec
2000	61		26	
2050	36	55		
2100	19	38		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	348.3	348.6	0	0
Oct	348.8	349.2	350.8	348.8
Nov	350.3	350.7	0	0
Dec	352.0	352.3	353.8	351.7
Feb	355.1	355.4	356.9	356.1
Apr	357.9	358.2	358.8	358.0
Jun	360.9	361.2	0	0
Aug	364.0	364.3	0	0
Oct	367.1	367.4	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	355.3	355.3	357.0	353.5
Jan	359.5	359.6	361.0	358.0
Apr	363.5	363.6	364.0	362.2
Jul	367.2	367.3	366.5	366.5
Oct	374.2	374.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	406.6	408.0	407.0	404.0
Oct	407.1	408.6	0	0
Nov	409.3	410.8	0	0
Dec	*411.7*	*413.2*	*416.0*	*408.0*
Jan	413.8	415.3	0	0
Mar	418.4	419.8	423.0	415.0
May	422.9	424.2	421.0	420.0
Jul	427.2	428.4	426.5	426.0
Sep	432.0	433.3	0	0
Dec	439.3	440.8	439.0	439.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	107.00	105.95	107.10	106.55
Oct	105.10	104.45	105.40	104.80
Nov	104.00	103.65	0	0
Dec	103.20	102.95	103.80	103.00
Jan	102.40	102.15	0	0
Feb	101.65	101.40	0	0
Mar	101.00	100.75	101.50	101.00
Apr	100.60	100.35	0	0
May	100.05	99.80	100.30	100.20
Jun	99.60	99.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	21.79	21.84	21.81	21.70
Nov	21.69	21.76	21.73	21.62
Dec	21.62	21.65	21.63	21.52
Jan	21.45	21.49	21.45	21.38
Feb	21.28	21.32	21.30	21.21
Apr	20.91	20.99	20.95	20.89
Jun	20.67	20.75	20.71	20.65

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	6185	6185	6190	6145
Nov	6300	6288	6300	6260
Dec	6410	6397	6410	6365
Jan	6435	6432	6440	6390
Mar	6055	6044	6055	6010
Jul	*5520*	*5529*	*5530*	*5520*

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1218	1221	1224	1200
Mar	1268	1273	1276	1254
May	1295	1303	1302	1290
Jul	1318	1326	1310	1310
Sep	1340	1346	1340	1340
Dec	1373	1376	1376	1376
Mar	1410	1412	1420	1405
May	1433	1435	0	0
Jul	1458	1460	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	90.25	88.15	90.90	88.20
Mar	93.35	91.25	94.00	91.40
May	95.75	93.85	96.00	93.90
Jul	98.00	96.35	98.00	96.40
Sep	101.00	98.75	101.00	101.00
Dec	105.25	103.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	8.99	9.06	9.08	0
Mar	8.77	8.93	8.99	8.76
May	8.71	8.87	8.90	8.70
Jul	8.68	8.85	8.89	8.88
Oct	8.65	8.80	8.83	8.80

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	64.38	67.72	65.90	64.35
Dec	65.74	68.38	67.25	65.35
Mar	67.15	68.93	68.35	66.75
May	67.82	67.75	68.88	67.65
Jul	68.22	68.67	69.49	68.20
Oct	66.85	67.75	67.37	67.37

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	123.25	118.85	123.50	120.15
Jan	120.60	118.20	120.75	118.20
Mar	121.25	119.00	121.30	119.00
May	122.00	119.85	122.00	119.90
Jul	121.95	119.95	121.00	119.75
Sep	121.95	119.95	0	0
Nov	121.95	119.95	0	0
Jan	121.95	119.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 19	Sep 18	mnth ago	yr ago
1644.3	1641.0	1643.0	1803.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 18	*Sep 17*	*mnth ago*	yr ago
Spot	117.40	117.68	117.15	126.90
Futures	123.64	122.71	120.77	131.66

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	599/4	609/0	600/0	595/0
Nov	603/4	617/4	608/6	603/0
Jan	614/4	627/4	620/2	613/4
Mar	624/4	637/4	629/6	623/0
May	630/2	642/6	636/4	630/0
Jul	634/4	646/2	639/4	633/4
Aug	632/4	642/0	636/0	632/0
Sep	608/4	613/0	613/0	608/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	20.88	21.15	20.88	20.73
Oct	20.71	21.11	20.95	20.70
Dec	21.08	21.46	21.32	21.00
Jan	21.28	21.68	21.47	21.25
Mar	21.63	21.99	21.83	21.58
May	21.86	22.26	22.10	21.86
Jul	22.20	22.50	0	0
Aug	22.27	22.60	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	200.7	203.4	201.5	199.3
Oct	198.2	200.2	197.7	195.7
Dec	193.8	197.1	195.2	192.9
Jan	191.8	194.7	193.3	191.0
Mar	190.3	193.0	191.5	189.5
May	187.7	190.7	189.5	187.0
Jul	186.8	188.2	187.0	186.0
Aug	185.5	187.0	186.5	185.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	249/2	252/6	251/0	[illegible]
Dec	253/4	257/0	255/2	[illegible]
Mar	260/6	264/0	262/4	[illegible]
May	265/4	268/2	266/6	[illegible]
Jul	268/0	270/2	269/0	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	333/4	333/4	333/4	[illegible]
Dec	334/0	334/6	335/0	[illegible]
Mar	336/4	338/0	338/0	[illegible]
May	328/4	331/6	330/6	[illegible]
Jul	314/0	315/4	315/2	[illegible]
Sep	320/4	322/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	73.67	72.30	73.75	72.32
Dec	76.35	75.45	76.42	75.75
Feb	74.52	73.86	74.67	74.25
Apr	75.05	74.25	75.25	74.80
Jun	72.70	72.05	72.72	72.30
Aug	70.70	70.20	71.20	70.70

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	46.65	45.57	46.95	45.90
Dec	46.12	44.97	46.25	45.95
Feb	45.15	44.06	45.20	44.35
Apr	42.70	41.95	42.75	42.30
Jun	46.85	46.35	46.95	46.60
Jul	47.02	46.52	47.15	47.00
Aug	45.45	45.07	45.45	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	51.12	49.45	51.35	50.05
Mar	51.20	49.45	51.30	50.10
May	52.20	50.60	52.25	51.20
Jul	52.20	50.75	52.20	51.20
Aug	49.65	48.65	49.65	0

LONDON STOCK EXCHANGE

Cautious rally in the FT-SE Index

By Terry Byland, UK Stock Market Editor

A HIGHLY erratic trading performance saw the London stock market rally from early losses yesterday to record its first positive session for the past four days. In early trading equities fell by 20 FT-SE points to below the nearest chart support level. Market turnover remained linked to specific stocks and support faded towards the close on unspecified fears of further bearish developments today.

Shares were helped initially by wider dissemination of the statement from Mr Robin Leigh-Pemberton, the Governor of the Bank of England, that the UK economy was emerging from recession. However, the shine dimmed as traders noted that the Governor had also referred somewhat coolly to prospects for further cuts in domestic interest rates. There was only muted response yesterday to the announcement that domestic bank lending increased by £3bn in August, a touch below the City's expectations.

Account Dealing Dates		
*First Dealings:		
Sep 2	Sep 16	Sep 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	Sep 27	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place from 8.30 am two business days earlier.

The misery on the corporate front deepened as RMC, the construction industry group, and Hawker Siddeley delivered fresh blows to investment confidence, although shares in Hawker soared after a poor interim report inflamed this week's renewed takeover speculation. Heavy turnover in Asda, the food supermarket company, suggested that the profits and dividend warnings of the previous day might have inspired stake-building operations.

Equities opened firmly as some traders took the view that Wednesday's selling had been overdone. But they were soon proved wrong, for the time being at least, when hints that the large overseas seller recently depressing UK share prices had reappeared sent the market spiralling downwards.

The rout was also triggered by a fall in the FT-SE September futures contract which fell below 2,600. The futures contract has maintained a healthy premium to the underlying cash market for the past few days and the refusal of blue chip equities to respond had opened up an alarming spread between the two markets, and triggered yesterday's selling of the future.

Nervousness increased as the FT-SE Index plunged through the 2,575 support area, to touch 2,564.5 at the day's lowest level. The seller then withdrew and equities, helped by gains in a handful of Footsie stocks, climbed upwards again. By the close, the FT-SE Index was a net 5.1 up on the day at 2,588.7.

Among the brighter spots was British Aerospace, after reports that a presentation to analysts in Scotland had gone down better than similar presentations in London. Glaxo, Reuters and Hawker Siddeley also boosted the FT-SE Index, if not the market as a whole.

Seaq-reported turnover increased to 677.6m shares from the 673.2m of the previous session. Yesterday's session took in heavy trade in BAT Industries (9.6m shares) and in Asda (88m) as well as a number of other active features.

Despite the modest rally in the Footsie Index, there appeared to be little recovery in market confidence yesterday. Share prices lost impetus in late dealings as hints swirled around the market of further bearish developments ahead; suggestions ranged from more rights issues to further downgradings of profit forecasts by brokerage analysts who have this week seen company results turning out below forecasts.

Record trading in Asda

JUST ONE day after warning of a "very significant deterioration" in current-year profits, almost 7¼ per cent of Asda equity changed hands, fuelling speculation that a bid may be in the offing for the Leeds-based grocery chain.

The shares were initially marked 12 lower to 55p (down by 50 per cent on the level a week ago) before recovering to 63p for a loss of 4 on the day. In after-hours' trading Asda rose to 65p on the anonymous inter-dealer broker market.

Larger institutional investors continued to reduce their holdings yesterday, with some mentioning to salesmen that they were considering abandoning Asda altogether. But the large lines of stock were absorbed by recovery funds and there was also strong US buying.

Turnover reached a record 86m shares. Over the last two days almost 12 per cent of the company's stock has changed hands amid widespread speculation that a stake is being built.

Metro, the German retailing group, was said to be a possible bidder. There were suggestions that it has taken a 3 per cent stake. Mr Paul Smiddy of Kleinwort Benson said the big UK food retailers are unlikely to be interested in Asda as they have all made rights issues this year. That leaves European retailers, and Metro is one of the few credible companies that might bid for Asda.

Asda would not comment on the unusually large turnover in its shares or the speculation about stakebuilding.

Hawker hopes

Hawker Siddeley shares brushed aside a 14 per cent fall in interim profits. They surged 38 to reach 640p, the highest level for more than a year, as speculation returned that the company was about to become a bid target.

Turnover rose to 3.4m, with BTR once again considered a likely predator. There were, however, hints late in the session that the bidder could be a European or Japanese company.

Analysts chose to focus on the fall in profits and the gloomy results meeting and responded by cutting full year profits forecasts. The range is now between £115m and £125m, down by around £20m. Mr Chris Avery at Smith New Court said: "The share price is not connected to recovery and fundamentals. Bid speculation is the key." A buyer in the options market helped to underpin yesterday's rise.

Demand for Glaxo

Pharmaceutical leader Glaxo rose strongly on suggestions that the US Food and Drug Administration (FDA) is closer than previously thought to approving Imigran, the company's migraine drug.

Mr Paul Woodhouse at Smith New Court said the advisory committee of the FDA would examine the injectable version of the drug in late October. It was approved last month in the UK. "The FDA is at least six months ahead of the expected date and it is very positive news," added Mr Woodhouse.

The recommendations of the advisory committee are usually accepted by the FDA. The tablet version, expected to be a bigger seller, was submitted for approval several months after the injectable. Glaxo ended at the day's best level of 1361p for a gain of 30.

RMC gloom

Dealers, already steeled for bad results from RMC, the building materials group, recoiled from what was seen by sector specialists as an uncomfortably bearish outlook for the coming year and marked the shares sharply lower. At the close RMC was 23 weaker at 635p, having been as low as 629p. Turnover came to 1.9m.

RMC's interim profits were 36 per cent down at £69.9m, in line with market expectations. The shares were hammered by the accompanying trading statement, which said the UK outlook remained bleak with little sign of recovery.

Analysts quickly lowered profits estimates for the full year. Mr David Taylor, at Robert Fleming, now expects RMC to achieve £165m, but maintains that RMC is one of the best bets in the sector. BZW downgraded its current-year expectation to £155m but said the shares were looking slightly oversold.

Vodafone gave another powerful performance, closing 112 stronger at 369p on keen turnover of 4.5m. Activity in Racal Electronics subsided after the intensity of the past two weeks, the shares edging up to 57p. Turnover totalled 3.6m shares, indicating that frantic stakebuilding had abated.

County NatWest was thought to have been behind a strong run in the regional electricity stocks. The Electricity Package jumped 22 to £2175, while Southern closed 6½ firmer at 213½p.

The cautionary tale from RMC reverberated throughout the building materials arena, where Redland, Steetley and Tarmac attracted plenty of selling pressure.

Redland, scheduled to report interims on September 26, dipped 8 to 566p, and Steetley, reporting on September 30, was down 14 at 335p, after 333p. Redland is expected to produce around £90m profits, compared with £108m last time. Steetley is forecast to come up with £27m, against £49.2m.

Tarmac was another to suffer. It was additionally burdened by hints of a rights issue. The shares fell to 212½p but rallied to close unchanged at 219p. Tarmac's interims are expected on September 24, with Panmure Gordon looking for £20m, against £97.8m. "If you thought some of the major contractor/housebuilders' results were bad, then prepare for Tarmac's results," said Panmure.

BPB lost 13 to 190p amid talk of profits downgrades. Housebuilder Cala dropped 8 to 68p after a £7m interim loss.

APV gave up 3 to 126p on reporting a fall in half-time figures. Dowty Group lost 11 to 156p after analysts reduced full-year forecasts following a tour of the City institutions by the company. Cazenove, Dowty's broker, is reported to have led the way with a cut from about £45m to £35m.

Bargain hunters helped British Aerospace bounce 16 to 420p on turnover of 2m.

BTR, which is seen as a potential bidder for a range of companies, including Pilkington, Trafalgar House, Vodaphone and Hawker Siddeley, was relatively calm for a stock which has generated so much interest. It eased a penny to 423p on turnover of 4.7m.

Waste management group Shanks & McEwan plummeted 49 to 239p after warning that future profits were under pressure. Mr John Dorée of Hoare Govett cut his forecast for 1991 by £5m to £34.5m. Smith New Court reduced its estimate by £9m to £30m.

Bathroom maker Spring Ram, one of the best UK share performers recently, climbed 13 to 142p on unusually large turnover of 7.7m after announcing a raised dividend and higher interim profits that were above analysts' forecasts.

The impact of recent healthy profits combined with optimism for an upturn continued to benefit a number of companies. Alumasc picked up 9 to 313p following results on Wednesday. Management consultancy Alexander Proudfoot, which reported on Tuesday, gained 10 to 425p. USM-quoted household goods group Jeyes, which also reported on Tuesday, was 13 better at 393p.

Fears that Laporte's interim results would disappoint proved groundless. Profits were down by £2.2m to £50.3m but in line with expectations, and the dividend was increased. The shares advanced 21 to 579p, partly as a result of a technical bounce following a fall of nearly 40 points since the start of the month.

The prospect of a scrip issue combined with good earnings growth to help Guinness gain 7 to 1005p. Allied Lyons forged ahead 14 to 604p as bid talk once again swirled around the company.

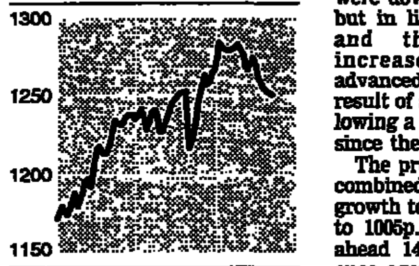
The recent clutch of analysts' buy recommendations for advertising agency Gold Greenlees Trott was bolstered yesterday by news that the company was one of four short-listed for the US Beef Council account. Over the last quarter, GGT has won US business worth $20m, but at about $50m the beef account would be the company's biggest US deal yet. Traders added that a recurrence of vague bid talk helped the shares climb 12 to 215p, making a gain of 61 this month.

Guardian Royal Exchange was weakened by suggestions that it may have suffered from claims against storms in Canada earlier this week. The stock receded 6 to 185p.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

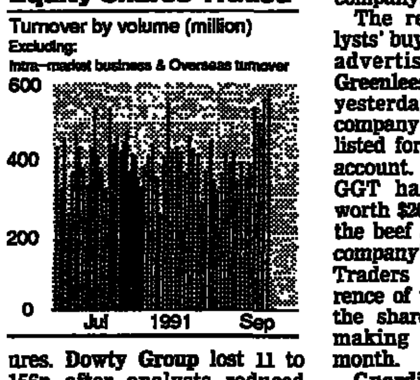
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Sept 19	Sept 18	Sept 17	Sept 16	Sept 13	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.66	87.94	87.38	87.44	87.45	78[illegible]	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.80	96.99	95.63	96.07	96.07	8[illegible]	96.99 (18/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2011.3	2007.1	2037.9	2051.0	2067.8	[illegible].1	2108.3 (2/9)	1806.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	161.6	159.2	155.6	155.0	154.4	[illegible]4.9	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2588.7	2583.6	2594.4	2606.0	2625.8	[illegible]16.9	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1171.28	1170.39	1174.54	1173.55	1183.12	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.74	4.76	4.73	4.71	4.67	6.21				
●Earning Yld %(full)	7.60	7.67	7.63	7.60	7.52	13.02				
●P/E Ratio(Net)(☆)	16.42	16.27	16.36	16.43	16.60	9.30				
SEAQ Bargns 4.45pm	29,209	27,578	27,825	26,609	36,28[illegible]	20,985				
Equity Turnover(£m)†	-	1,545.50	1,265.93	896.99	1,163[illegible]	917.63				
Equity Bargains†	-	27,335	27,854	25,974	36,5[illegible]	20,494				
Shares Traded (ml)†	-	582.8	563.6	495.4	53[illegible]	407.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.60

Ordinary Share Index, Hourly changes Day's High 2011.3 Day's Low 1986.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2006.1	2009.5	1993.5	1987.2	1988.6	1989.0	1994.8	[illegible]001.6	2004.5

FT-SE 100, Hourly changes Day's High 2591.4 Day's Low 2564.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2588.1	2590.4	2576.5	2566.5	2569.5	2568.4	2573.4	2577.1	2583.4

FT-SE Eurotrack 200, Hourly changes Day's High 1171.41 Day's Low 1166.78

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1171.36	1170.25	1165.51	1167.83	1168.04	N/A	1169.44

GILT EDGED ACTIVITY

Indices*	Sept 18	Sept 17
Gilt Edged Bargains	80.2	81.5
5-Day average	82.6	82.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	14	490	-1
ASDA Group	88,000	63	-4
Abbey National	4,400	292	-1
Albert Fisher	2,600	101	-1
Allied-Lyons	3,600	604	+14
Amstrad	771	53	
Anglian Water	1,700	382	-5
Argos	3,100	303½	-16½
Argyll Group	4,100	285	+6
Arjo Wiggins	2,700	267	+1
Ass. Brit. Foods	791	490	-8
Burmah Castrol	[illegible]	380	-7
Burton	5,100	45½	-1½
Cable & Wire.	4,100	547	-7
Cadbury's	2,300	417	-2
Calor Group	418	233	-4
Carlton Comms.	874	518	+2
Coats Viyella	1,400	179	-3
Comm. Union	712	509	-4
Cookson	201	139	
Courtaulds	2,400	481	
Dalgety	916	433	
De La Rue	56	457	
Dixons	1,700	[illegible]	
ECC Group	597	[illegible]	
Eastern Elect.	445	184	+1½
East Midland Elect.	529	2[illegible]	
Enterprise Oil	881	[illegible]	-1
Eurotunnel Units	406	[illegible]	+4
FKI	1,200	[illegible]	
Land Securities	800	579	+21
Laporte	741	437	+1
Legal & General	282	426	-2
Lloyds Abbey	3,800	380	-3
Lloyds Bank	1,600	303	+5
LASMO	718	209½	-½
London Elect	810	233½	+1½
Lucas	1,600	151	+3
MB Caradon	634	249	+4
MEPC	499	487	-3
Manweb	461	263	+8
Marks & Spencer	8,300	268	-1
Maxwell Comms.	74	173	+½
Midland Bank	2,500	248	+2
Midlands Elect.	2,100	209	+1
NFC	1,200	214	-2
NatWest Bank	6,100	339	-5
National Power	5,700	158	+1½
Saatchi	2,400	[illegible]	
Sainsbury	3,400	[illegible]	
Scottish & New	1,100	[illegible]	
Scot. Hydro-Elect.	2,900	114½	
Scottish Power	4,400	109½	
Sears	4,800	[illegible]	
Sedgwick	932	[illegible]	
Seeboard	1,600	[illegible]	
Severn Trent Water	1,700	345	-7
Shell Transport	8,800	502	-3½
Siebe	138	518	+6
Slough Ests	430	277	-2
Smith (W H) A	385	442½	+1½
Smith & Nephew	5,400	129½	-3½
SmKl Beecham	4,300	788	+8
SmKl Beecham Uts	192	3365	+20
Smiths Inds.	805	278	-2
Southern Elect.	1,600	213½	+6½
South Wales Elect.	118	273	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in London derivatives rose yesterday as the FT-SE Index swung in a wide range in nervous dealing, writes Jim McCallum.

Derivatives continued to influence the stock market as marketmakers attempted to unwind large share deals hedged in the futures market.

During August in the aftermath of the failed Soviet coup, arbitrageurs sold futures and bought shares. Now they are attempting to unwind those positions before the September FT-SE contract expires at the end of the month.

Some derivatives traders estimated that marketmakers have up to 5,000 contracts to unwind, which means around £500m worth of FT-SE stocks to be sold over the next seven trading days.

With the arbitrageurs also needing to buy back futures contracts, the September FT-SE is being held at an artificially high premium. September closed 3 down at 2,600, making a 15-point premium.

In the options market, Asda was actively traded, boosted by bid speculation. Dealing was focused in near-month calls, with a seller of 1,000 October 60 puts and calls the biggest trade.

Hawker Siddeley was helped by active call buying by country brokers.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (118).
BRITISH FUNDS (2) Tr 2pc IL 1994, Tr 2pc IL 1996, AMERICANS (1) Merrill Lynch, BANKS (3) Secure Trust, Warburg (SG), Do. 6pc Prf., BREWERS (2) Bulmer (HP), Marston Thompson, BUILDINGS (4) British Dredging, CMW, Gleeson (MJ), Newman-Tonks, CHEMICALS (5) BTP, Blagden Inds., Halstead (J), Jeyes, Wardle Storeys, STORES (4) Cantors A, Essex Furn., S & U, Specialeyes, ELECTRICALS (12) ACT, Delta, Electron House, FKI, Kembrey, Learmonth & Burchett, Life Sciences, Menvier-Swain, Misys, Process Systems, Radamec, Telefonica, ELECTRICITY (2) PowerGen, South Wales, ENGINEERING (15) APV, BM, Castings, Chemring, Cooper (Fr), Fairey, Hawker Siddeley, Johnson & Firth, Meggitt, Morris Ashby, Powerscreen, Prospect, Staveley, Victaulic, Wood (SW), FOODS (8) Brake Bros., Cranswick Mill, JLI, Morrison (Wm), Do. 5¼pc Prf., Nichols (Vimto), Salvesen (Ch), Watson & Philip, INDUSTRIALS (28) AAH, Alumasc, Avon Rubber, Brit. Polythene, Do. 7½pc Prf., Charter Cons., Community Hospitals, Cornwell Parker A, EIS, Faber Prest, Great Southern, IWP, Macfarlane, Page (M), Paterson Zochonis, Do. A, Proudfoot (A), RCO, Reuters, Serco, Spring Ram, UDO, UniChem, Wilshaw, Worcester, INSURANCE (4) Britannic, Domestic & Gen., Oriel, Steel Burrill Jones, LEISURE (3) Eurocamp, Fairline Boats, LWT 3.9375p Prfd., MOTORS (2) Appleyard, Sanderson Murray E., NEWSPAPERS (2) Blenheim, Reed Intl., PAPERS (6) Abbott Md. Vickers, Cropper (J), Ferguson, Gold Greenlees Trott, Stat-Plus, Whinney Mackay-Lewis, PROPERTY (3) Letinvest 10¼-11¼pc 1st Mtg. 2016, Mountview, Property Security, TEXTILES (3) Allied Textile, Lyles (S), Yorklyde, TRANSPORT (2) Clarkson (H), Mayne Nickless, TRUSTS (9) AFP, Aberforth Smllr. Cos., Aberforth Split Level Units, Fleng. Fledgeling, M & G Capital, Moorgate Inv., Moorgate Smllr. Wrrnts., Scottish Cities, Strata Invs., MINES (1) Antofagasta.

NEW LOWS (17).
BUILDINGS (2) CALA, Taylor Woodrow, ELECTRICALS (2) Norsk Data A, Standard Platform, FOODS (1) ASDA, INDUSTRIALS (3) Davies (DY), Nobo, Tamaris, LEISURE (1) Quadrant, PROPERTY (1) Speyhawk, TRUSTS (1) Abtrust New Thai, OILS (3) Clyde Pet., Goal Pet., Ultramar, MINES (3) Greenwich Res., Randex, Vlakfontein.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
100⅛	99¾	Exch 11pc 1991	100⅛xd		10.99	10.27
99½	96[illegible]	Treas. 8pc 1991	99½		8.04	10.03
101½	100[illegible]	Treas 12¾pc 1992‡‡	100¾		12.64	9.82
100¼	97[illegible]	Treas 10pc 1992	100⅛		10.00	9.90
132[illegible]	125[illegible]	Treas. 2pc IL 1992‡‡	132[illegible]xd		2.00	8.21
99[illegible]	95[illegible]	Treas. 8pc 1992 ‡‡	99[illegible]xd	-[illegible]	8.08	9.90
100[illegible]	98½	Treas 10½pc Cv 1992‡‡	100[illegible]	-[illegible]	10.46	9.78
96[illegible]	91[illegible]	Treas. 3pc 1992	96[illegible]		3.11	7.94
102[illegible]	100[illegible]	Exch. 12¼pc '92	102[illegible]		11.98	9.68
104[illegible]	102[illegible]	Exch 13½pc 1992	103[illegible]		13.03	9.64
98[illegible]	94	Treas 8¼pc 1993	98[illegible]		8.40	9.60
100¼	97[illegible]	Treas 10pc 1993‡‡	100[illegible]xd	-[illegible]	9.94	9.63
104[illegible]	102[illegible]	Treas 12½pc 1993‡‡	104[illegible]		11.95	9.66
94[illegible]	89[illegible]	Funding 6pc 1993‡‡	94[illegible]		6.32	8.82
108[illegible]	105[illegible]	Treas 13¾pc 1993‡‡	107[illegible]		12.76	9.65
97[illegible]	92[illegible]	Treas. 8½pc 1994	97[illegible]	+[illegible]	8.70	9.55
111[illegible]	108[illegible]	Treas 14½pc 1994‡‡	110[illegible]	-[illegible]	13.14	9.64
109	105[illegible]	Exch 13½pc 1994	108½	-[illegible]	12.44	9.67
101[illegible]	96[illegible]	Treas. 10pc Ln. 1994‡‡	100¾	-[illegible]	9.93	9.63
107[illegible]	103[illegible]	Exch. 12¼pc 1994	106[illegible]	-[illegible]	11.70	9.69
98[illegible]	93¼	Treas 9pc 1994‡‡	98[illegible]	-[illegible]	9.17	9.64
106[illegible]	102[illegible]	Treas 12pc 1995	106[illegible]		11.25	9.59
89	82¼	Exch 3pc Gas 90-95	86¾		3.46	7.23
102[illegible]	96[illegible]	Exch. 10¼pc 1995	102		10.05	9.58
110[illegible]	105[illegible]	Treas 12¾pc 1995‡‡	110[illegible]	-[illegible]	11.57	9.67
114[illegible]	109[illegible]	Treas. 14pc '96	114[illegible]	-[illegible]	12.27	9.88
98[illegible]	92[illegible]	Treas. 9pc 1992-96‡‡	98[illegible]	+[illegible]	9.10	9.30
119[illegible]	115[illegible]	Treas 15¼pc 1996‡‡	119[illegible]	-[illegible]	12.76	9.85
112[illegible]	108	Exch 13¼pc 1996‡‡	112[illegible]		11.78	9.80
Five to Fifteen Years						
101[illegible]	95[illegible]	Conversion 10pc 1996	101½		9.85	9.59
101[illegible]	97[illegible]	Do. 10pc 1996 B	101[illegible]		10.11	9.61
114[illegible]	108[illegible]	Treas 13¼pc 1997‡‡	114[illegible]		11.61	9.76
103[illegible]	97[illegible]	Exch 10½pc 1997	103[illegible]		10.13	9.59
96[illegible]	89[illegible]	Treas 8¾pc 1997‡‡	96[illegible]	-[illegible]	9.07	9.51
122[illegible]	117	Exch 15pc 1997	122[illegible]		12.21	9.90
100[illegible]	93[illegible]	Exch. 9¾pc 1998	100[illegible]		9.69	9.5[illegible]
88[illegible]	80[illegible]	Treas 6¾pc 1995-98‡‡	88[illegible]	-[illegible]	7.62	9.0[illegible]
128[illegible]	121[illegible]	Treas. 15½pc '98‡‡	128[illegible]	-[illegible]	12.06	9.7[illegible]
111[illegible]	104[illegible]	Exch 12pc 1998	111[illegible]	-[illegible]	10.78	[illegible]
100[illegible]	92[illegible]	Treas 9½pc 1999‡‡	100[illegible]	-[illegible]	9.50	[illegible]
113[illegible]	105[illegible]	Exch. 12¼pc 1999	113[illegible]xd	-[illegible]	10.81	[illegible]
104[illegible]	97[illegible]	Treas. 10½pc 1999	104[illegible]	-[illegible]	10.03	[illegible]
103[illegible]	95[illegible]	Conversion 10¼pc 1999	103[illegible]	-[illegible]	9.92	[illegible]
97[illegible]	89[illegible]	Conversion 9pc 2000‡‡	97[illegible]	-[illegible]	9.24	[illegible]
118[illegible]	110[illegible]	Treas. 13pc 2000	118[illegible]	-[illegible]	10.96	[illegible]
102[illegible]	94[illegible]	Treas 10pc 2001	102[illegible]		9.73	[illegible]
119[illegible]	113[illegible]	Treas 14pc '98-01	119[illegible]	-[illegible]	11.70	[illegible]
101[illegible]	92[illegible]	Treas 9¾pc 2002	101[illegible]		9.61	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103[illegible]	94[illegible]	Treas 8pc 2003	103[illegible]		9.65	9.48
110[illegible]	102	Treas 11½pc 2001-04	110[illegible]xd		10.39	9.73
62[illegible]	53[illegible]	Fund 3½pc '99-04	62[illegible]	-[illegible]	5.64	8.37
100[illegible]	90[illegible]	Conversion 9½pc 2004	100[illegible]xd		9.48	9.46
100[illegible]	90[illegible]	Conversion 9½pc 2005	100[illegible]xd	+[illegible]	9.47	9.44
121[illegible]	111	Treas 12½pc 2003-05	121[illegible]	-[illegible]	10.33	9.51
Over Fifteen Years						
88[illegible]	79[illegible]	Treas. 8pc 2002-06‡‡	88½xd		9.04	9.43
115[illegible]	105[illegible]	Treas. 11¾pc 2003-07	115¼		10.20	9.50
93[illegible]	84[illegible]	Treas 8½pc 2007‡‡	92[illegible]		9.15	9.34
128[illegible]	118[illegible]	Treas. 13½pc '04-08	128[illegible]xd	+[illegible]	10.48	9.50
97[illegible]	88[illegible]	Treas. 9pc 2008‡‡	97[illegible]xd	+[illegible]	9.23	9.28
88[illegible]		Treas 8pc 2009	88[illegible]xd		9.03	9.31
97[illegible]	88[illegible]	Conv 9pc Ln 2011‡‡	97[illegible]	+[illegible]	9.23	9.26
97[illegible]	91	Conv. 9pc 2011 A	97[illegible]	+[illegible]	9.51	9.55
66	5[illegible]	Treas. 5½pc 2008-12‡‡	65¾	-[illegible]	8.38	9.23
85[illegible]	7[illegible]	Treas. 7¾pc 2012-15‡‡	85[illegible]	+[illegible]	9.09	9.29
124[illegible]	1[illegible]	Exch 12pc '13-'17	124[illegible]	+[illegible]	9.62	9.33

Undated

Index-Linked

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock
107½	95¾	African Dev
102¼	91¾	Asian Dev
116[illegible]	105[illegible]	Int-Am Dev
97[illegible]	86[illegible]	Do. 9¾
125	101	Std Mexico

CORPORATION LOANS

1991 High	1991 Low	Stock
104½	100½	Birmingham
98½	93½	GLC 6¾
118[illegible]	110[illegible]	Leeds 13
31	28	Liverpool
27	26	LCC 3pc
105½	97½	Manchester

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

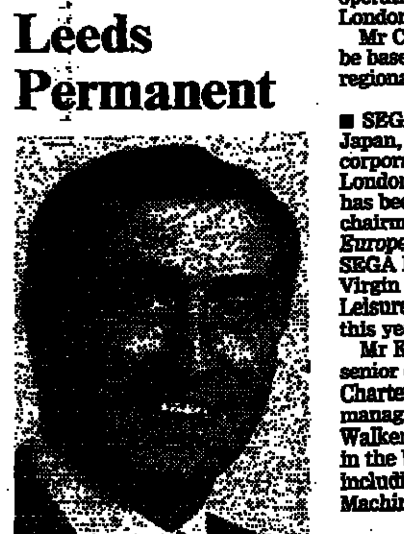
Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

APPOINTMENTS

Quality chief for Leeds Permanent



LEEDS PERMANENT, Britain's fifth largest building society, has appointed Mr Robert Lochhead (pictured) as its first head of group quality strategy.

Mr Lochhead was managing director of the group's subsidiary estate agency chain, Property Leeds, of which he remains a director.

Mr Jim Brearley becomes director and chief general manager of Property Leeds, having previously held the position of deputy managing director.

■ VERTEX BANKING SYSTEMS has appointed Mr Alun Cope-Morgan as director responsible for its European operations in Düsseldorf and London.

Mr Cope-Morgan, who will be based in London, was regional director at Kapiti.

■ SEGA ENTERPRISES, of Japan, has formed a European corporate headquarters in London. Mr George Kieffer has been named deputy chairman, SEGA Amusements Europe, and a director of both SEGA Europe Group (formerly Virgin Mastertronic) and Deith Leisure, which were acquired this year.

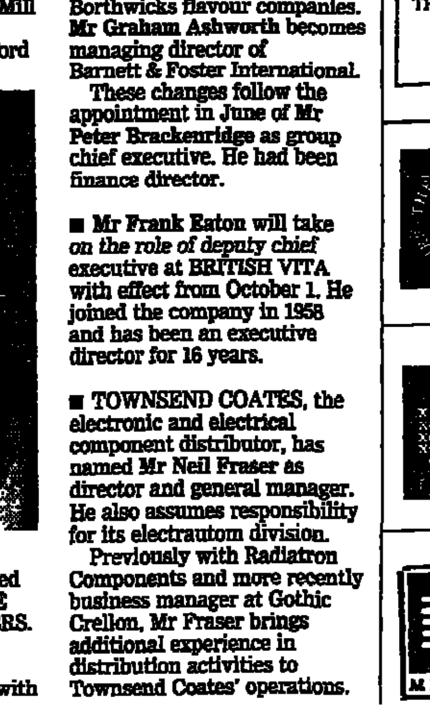
Mr Kieffer was formerly a senior executive with Standard Chartered, and latterly managing director of Brent Walker's Hotels & Leisure both in the UK and overseas, including the Amusement Machine Division.

■ Lord Gowrie, provost and vice-chairman of the ROYAL COLLEGE OF ART, has announced that Mr Jocelyn Stevens has given 12 months notice of his intention to retire as rector and vice-provost on July 31 next year at the end of the coming College academic year. He will become chairman of English Heritage on April 1, 1992.

On November 6 this year, Sir Michael Butler will be appointed pro-provost and chairman of the Council of the Royal College of Art. The Council is the governing body of the College.

Sir Michael joined Hambros Bank in 1986 and is currently an executive director dealing mainly with European business. He is chairman of European strategy boards at ICL and Hercules, chairman of the European Committee of British Invisibles, and a well-known collector of 17th century Chinese porcelain.

■ Within the PORTFOLIO FOODS group, Mr Stephen Brooke has been made operations director at Cravens of York. He previously worked for Trebor Bassett for 13 years. Mr Nick Shaw becomes production director at Red Mill Snack Foods. He was operations manager at Telford Foods.



■ Mr Mark Crutchley (pictured) has been appointed to the board of GARTMORE PENSION FUND MANAGERS. He joined Gartmore in 1987 as a pension fund manager after spending eight years with a leading life assurance company.

■ At BORTHWICKS, Mr Andrew Fane, director of corporate development, is also to fill the position of deputy chairman of the company.

Mr Richard Clemons has joined the board as a non-executive director. He is a former vice-chairman of Bassett Foods.

Mr Kirk Veal has been made chief executive of Globe Extracts, Borthwicks' US subsidiary, and will be director of marketing for the Borthwicks flavour companies. Mr Graham Ashworth becomes managing director of Barnett & Foster International.

These changes follow the appointment in June of Mr Peter Brackenridge as group chief executive. He had been finance director.

■ Mr Frank Eaton will take on the role of deputy chief executive at BRITISH VITA with effect from October 1. He joined the company in 1958 and has been an executive director for 16 years.

■ TOWNSEND COATES, the electronic and electrical component distributor, has named Mr Neil Fraser as director and general manager. He also assumes responsibility for its electrautom division.

Previously with Radiatron Components and more recently business manager at Gothic Crellon, Mr Fraser brings additional experience in distribution activities to Townsend Coates' operations.

LEGAL NOTICE

COVER KENT LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Oxford House, 10 Albion Place, Maidstone, ME14 5DZ, on 25 September 1991 at 11.00 a.m. for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on 24 September 1991, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Dated: 11 September 1991

Nigel J Vooght
Joint Administrative Receiver
Cork Gully, 10 Albion Place, Maidstone ME14 5DZ

ROBERT FIELD & PARTNERS LIMITED

Registered number: 1914494
Nature of business: Management of fine Rink
Trade classification: 28
Date of appointment of joint administrative receivers: 5 September 1991
Name of person appointing the administrative receivers: National Westminster Bank Plc
MARKOS PALIOS and ALAN PETER WHALLEY
Joint Administrative Receivers
(office holder nos 5701 and 8568)
Cork Gully
Mount Pleasant House
Huntingdon Road
Cambridge CB3 0BL

COMPANY NOTICES

DIMOSIA EPIHIRISIS ELEKTRISMOU
(Public Power Corporation)
ECU Denominated Floating Rate Notes due 1997

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 23rd September, 1991, the Notes will bear interest at the rate of 10⅞% per annum. The interest payable on 23rd December, 1991 against Coupon No. 21 will be ECU 25.75174 per ECU 1,000 nominal.

Fiscal Agent
ROYAL BANK OF CANADA EUROPE LIMITED

CLUBS

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price $	+ or -	Div Gross	C'v'r	Y'ld Gr's
33¼	20⅞	Abbott Laboratories	30⅝	-⅛	$1.00	-	1.9
385p	257p	Allegheny & W 1c	267p	...	30c	-	5.6
10¼	667p	Amdahl 5c	817p	+18	10c	-	1.7
42¼	25¼	Amer. Cyanamid $5	37⅛	+1	$1.50	-	4
17⅞	9⅝	Amer. Express 60c	14⅞	+⅛	92c	-	7
24½	15¼	American T. & T. $1	21⅝	+⅛	$1.32	-	6
38⅞	32½	Ameritech $1	35⅞	+½	$3.40	-	[illegible]
26	12⅝	BankAmerica $1⅝	23⅝	+½	$1.20	-	[illegible]
35⅝	20⅛	Bankers N.Y. $1	33¼	+⅛	$1.52	-	[illegible]
30½	24¼	Bell Atlantic $1	27⅞	+¼	$2.52	-	5
31¼	25	BellSouth Corp	28½	...	$2.76	-	5
11¼	6⅞	Bethlehem Steel $8	10⅛	+¼	40c	-	2
1839p	1046p	Bowater Inc	1444p	-1	$1.20	-	4
54⅞	37⅞	CPC Intnl. 25c	50⅞	+⅝	$2.00	-	2
930p	420p	California Engy	825p	...	-	-	-
50	28¼	Campbell Soup 15c	44	+⅜	$1.16	-	1.6
12¼	5⅞	Chase Manhattan $12½	11	+⅜	$1.20	-	6.6
9⅛	5½	Chrysler $6¼	6⅞	+⅛	60c	-	5.8
10⅞	5⅞	Citicorp $1	8½	+⅛	$1.00	-	7.0
25	21⅛	Colgate-Palmolive $1	23¼	+⅛	$1.06	-	2.7
928p	438p	Cont'l Bank Corp $4	651p	+10	60c	-	5.4
21⅝	13⅞	Dana Corp. $1	17⅞	-⅛	$1.60	-	5.4
1199p	203p	Data General	1142p	+12	-	-	-
22¼	12⅞	Dial Crop. $1.5	20⅝	+⅛	$1.40	-	4.0
29⅞	20¼	Dun & Bradstreet $1	27¼	...	$2.16	-	4.7
40	24¼	Eaton Corpn. 50c	36⅛	-¼	$2.20	-	-
8½	5½	Echlin Inc	6⅞	-⅛	70c	-	6.0
20¼	14⅞	FPL Group 1c	18¼	-⅛	$2.40	-	7.6
30⅞	17⅞	Fluor Corp 62½pt	24⅞	+⅛	32c	-	0.8
23¼	13¼	Ford Motor $1	17¼	-⅛	$1.60	-	5.5
46⅞	28⅞	Gen. Elect. 63c	40⅞	+⅛	$2.04	-	3.0
566p	270p	General Host Corp $1	466p	...	34c	-	4.3
45⅞	20⅞	Gillette $1	23⅞	+⅛	62c	-	1.5
18¼	794p	Hasbro Inc 50c	15⅛	...	24c	-	0.9
38½	21⅛	Honeywell $1½	31½	+¼	$1.50	-	2.8
23⅛	17⅞	Houston Inds.	22¼	...	$2.96	-	7.9
72⅞	55⅞	IBM Corpn $1¼	61	+⅝	$4.84	-	4.7
32½	18⅛	Ingersoll-Rand $2	27⅞	+¼	$1.32	-	2.8
28½	16⅝	Lockheed Crpn. $1	23⅞	+⅛	$2.00	-	5.1
2155p	1245p	Lowe's 50c	1858p	+15	56c	-	1.8
18⅞	9½	Manuf. Hanover $1	16¼	+⅛	$3.28	-	11.6
27¼	10⅛	Merrill Lynch $1	27¼	+1	$1.00	-	2.2
33⅞	21⅞	Morgan (JP) $2½	31⅞	+⅛	$1.98	-	3.7
44¼	25⅛	Morris (Philip)	42⅝	+⅛	$2.10	-	2.9
46⅞	[illegible]	NYNEX $1	44½	+⅛	$4.56	-	6.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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LEISURE – Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC – Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES – Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's
Homestake Mining $1		£8¾	+⅛	Q20c	-	1.4
‡‡Ivernia West	y	54	..	-	-	-
‡‡Kells Mins. Ir5p	y	35		-	-	-
Kenmare	y	10½	-½	-	-	-
‡‡Navan Resources	y	16		-	-	-
Northgate Expl C$1		63		-	-	-
North West Exp		5		-	-	-
Oryx Gold Hldgs		132		-	-	-
‡‡Ovoca Gold IR 2p	y	13		-	-	-
Plateau Mining 20p	β	17		-	-	-
RTZ 10p	α	539xd	+4	19.5	1.7	4.8
Thorco Res Inc		10¼		-	-	-
Vizcaya Hldgs 5p	β	4		-	-	-
Wstrn & Pac Res		96		-	-	-
Young Group 10p	β	120		5.2	1.8	5.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal β Beta refers to all other shares γ Gamma refers to other traded instruments

Highs and lows are based on intra-day mid prices Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue j Payment from capital sources k Kenya. m Interim higher than previous total n Rights issue pending q Earnings based on preliminary figures s Dividend and yield exclude a special payment t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian E Minimum tender price F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1991. Q Gross R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights, xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1	β	640	....
Finlay Pkg. 5p	β	21	....
Holt (Jos) 25p	β	1975	+2

IRISH

Cap. 8½% Ln. 2010	£93¾	..
9pc Cap Ln 1996	£98	....
Fin. 13% 97/02	£114	....
Arnotts	209	..
Helton Hldgs	45	...
IRG	130	...
United Drug	100	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	26
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Garlic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS. The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	300.8	300.8	321.3	+3.2	1.30
(Accum Units) ♥	5	351.9	351.9	375.9	+3.8	1.30
British	5	819.4	819.4	866.9	-4.1	5.52
(Accum Units)	5	1346.2	1346.2	1424.3	-6.7	5.52
European	5	332.0	332.0	353.5	-0.2	1.48
(Accum Units)	5	355.9	355.9	378.9	-0.3	1.48
Japan	5	115.0	115.0	122.1	+1.0	-
(Accum Units)	5	115.9	115.9	123.0	+1.0	-
New Pacific	5	166.0	166.0	176.4	-0.7	2.00
(Accum Units)	5	170.4	170.4	181.1	-0.8	2.00
PEP Sept 18	5	142.8	145.0	155.4	-0.8	3.65
Mngd Equity	5	122.9	124.7	132.0	-1.1	3.51
Mngd Equity Acc	5	130.3	132.3	140.0	-1.2	3.51
Mngd Cash	5	97.05	97.05	99.95	+0.03	10.49
(Accum Units)	5	115.0	115.0	118.4	.....	10.49
Mngd Fxd Int Acc Aug 29	5	122.9	122.9	130.0	.....	6.77
Majority Stkg	1	101.06	101.06	102.06	+0.02	10.39
Majority Stkg Acc	1	106.01	106.01	107.06	+0.03	10.39
Stordbrand Intl Inv Mngrs Ltd (1200)F						
Admin' 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Sept 19	6	50.91	50.91	51.46		3.46
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	618.3	625.9	669.4	(z)	3.06
North America	6	76.55	77.33	82.71	(z)	1.08
Far East	6	88.66	89.59	95.82	(z)	1.90
W'wide Bond	6	47.82	47.82	50.87	(z)	6.17
European	6	66.99	66.99	71.65	(z)	1.22
Equity Income	6	72.31	73.28	78.37	(z)	5.10
Portfolio	6	58.25	58.25	62.30	(z)	2.04
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	25.84	25.84xd	27.64	+0.31	0.39
Managed Assets	6	104.32	105.03	112.34	-0.52	3.69
UK Income	6	33.25	33.78	36.13	-0.40	4.33
UK Growth	6	33.21	33.62	35.96	-0.27	3.02
Worldwide Growth	6	24.42	24.42	26.12	+0.08	0.82
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq. 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	35.06	35.06	37.50	-0.06	1.33
Amer Growth Acc	5¼	43.62	43.62	46.65	+0.61	0.22
Cap Protector Acc	5¼	35.62	35.62	38.10	-0.39	4.37
Cap Protector Inc	5¼	31.99	31.99	34.21	-0.36	4.37
Euro Growth Acc	5¼	58.60	58.60	62.56	-0.27	0.87
Far East Gwth Acc	5¼	76.49	76.49	81.81	+0.15	0.80

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Sep 5	913.99	917.39	----	2.37
Gross Sep 5	189.38	190.84		10.22
High Yield Sep 5	299.73	302.14	.....	7.26
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	53.92	55.05	-0.44	3.66
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1189	1282	—	-
Mngd Pens (Acc)	71.2	75.9	.....	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	....	6.00
Ex Gth Prp Apr 16	£1325.0	1460.0	..	7.20
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Sept 19	£3819.7	3994.9	...	4.07
European Sept 19	£545.7	561.5	.....	2.06
American Sept 19	£350.0	353.7	-	2.30
Japan Sept 19	£505.1	511.4	.....	1.27
Pacific Sept 19	£138.0	141.4	.	1.96
W Midlands Aug 30	£144.50	161.30	...	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	199.20	203.20	.	7.39
Equity Aug 31	885.85	898.25	...	4.10
* Available only to Local Authorities				
M & G Securities Ltd				
Charifund Sept 18		104.38	+0.6	10.33
(Accum Units)		599.78	+3.0	10.33
NAACIF Sept 17		43.43	.....	9.05
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Sept 17	130.9	140.5	......	3.64
UK Small Co † Sept 17	527.2	579.9	—	3.47
Fixed Interest † Sept 17	111.0	116.7	—	8.55
US Small Co Sept 17	160.7	171.9	—	0.00
Managed Sept 17	109.6	117.2	.	3.36
Intl Bond Sept 17	118.9	125.5	.....	10.23
Japan Sept 17	72.81	77.82	.....	0.37
European Sept 17	88.61	94.89	-	1.95
Nth American Sept 17	108.1	126.3	-	1.36
Murray Johnstone UT Mngmt				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	108 2	113 9	-0 8	-
Pension Managed Fd	107 3	112 9	-1.1	-
Life Deposit Fd	109 4	115 2	...	-
Pension Deposit Fd	115 6	121 6	..	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	115.3	121 4	-0 1	-
Managed Growth	140.6	148 0	-0.1	-
Managed Opportunity	140 6	148 0	+0 1	-
NFMC Target Financial	106.3	111 9	-0 7	-
Pension Funds				
Managed Cautionary	125.6	132.3	-0.3	-
Managed Growth	148 7	156 6	-0.2	-
Managed Opportunity	140 8	148.3	+0.1	-
NFMC Trgt Mngt Pns	1565 6	1648 0	-9 9	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	167.3	176.2	......	-
UK Equity	179 7	189 1		-
Overseas Equity	131.5	138 5	......	-
Fixed Interest	153 1	161 2	.	-
Property	135 9	143 1	.	-
Index Linked	150.6	158.6	....	-
Deposit	161.4	169 9	.	-
With Profits (8)	132.1	139 1	..	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	358 6	377.5	-1.9	-
UK Equity	455 4	479 4	-4.5	-
Overseas Eq	347 0	365.3	-0.3	-

Providence Capitol Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	231 1	243.8	-3 1	-
UK Fixed Int Acc	186 0	196 3	-0 1	-
Intl Equities Acc	174.9	184.5	-0.5	-
UK Managed Acc	176 6	186 2	-1.2	-
Property Acc	224.2	236 6	.. ...	-
Money Acc	131 5	138 8		-
Special Market Acc	146.9	155.0	......	-
Japan Equity Acc	100 0	105 5	+0.1	-
North American Acc	104.6	110.4	+0.7	-
Pacific Acc	92 1	97.2	-0.1	-
Technology Acc	121 0	127 7	+2 4	-
Nat Resources Acc	53.3	56.3	+1.2	-
European Acc	102.6	108 3	-0.6	-
Residential Prop Acc	96 4	101 7	.	-
Swiss Equities Acc	33 8	35.7	-0 1	-
Hong Kong Acc	65.9	69 6	-0 1	-
UK High Inc Eq Acc	75 8	80 0	-0 8	-
Int Fixed Interest Acc	59 8	63 1	+0.1	-
Int Managed Acc	56 6	59 7	-0.1	-
HIP Managed Acc	118.8	125.3	-0.2	-
HIP Managed II Acc	102 9	108.5	-0 4	-
HIP Managed III Acc	109.9	115.9	-0.4	-
Total Investment Bond				
UK Equity Initial		156 9	-2 0	-
UK Fixed Int Initial		126.6	-0 1	-
Intl Equities Initial		118 1	-0.3	-
UK Managed Initial		130 1	-0.8	-
Property Initial		153 6	..	-
Money Initial		89.9	......	-
Special Market Initial		114 0	..	-
Japan Equity Initial		77 6	+0 1	-
North American Initial		81 2	+0 6	-
Pacific Initial		71.4	-0 1	-
Technology Initial		93 9	+1.8	-
Nat Resources Initial		41 4	+1 0	-
European Initial		91 9	-0.6	-
Residential Prop Init		92.0	..	-
Swiss Equities Initial		32.3	-0 1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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IRELAND (REGULATED)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to recover

THE DOLLAR maintained its recent recovery in technical trading yesterday, as short positions were covered, but sentiment did not appear to have turned in favour of the currency.

A widening of the US trade deficit to $5.90bn in July from from June's revised shortfall of $3.79bn had little impact. The revision from $4.02bn took the June figure down to the smallest deficit since March 1983, but July's data showed that imports of cars and consumer goods has resumed. The news did not cause much surprise however, with most economists looking for a July deficit of around $5.00bn

A fall of 17,000 to a seasonally adjusted 402,000 in new applications for US unemployment insurance benefits in the week to September 7 was also largely ignored by the market.

At the London close the dollar had climbed to DM1.6890 from DM1.6815; to Y134.45 from Y134.20; to SFr1.4780 from SFr1.4685; and to FFr5.7550 from SFr5.7275. On Bank of England figures the dollar's index rose to 65.1 from 65.0.

Sterling finished towards the top of the day's range against the D-Mark, supported by indications that the UK is moving out of recession.

Wednesday's comments by Mr Robin Leigh-Pemberton, governor of the Bank of England, indicating an end to the recession were followed by a rise in M4 lending by banks and building societies during August. The rise of £3.6bn in M4 lending was towards the top of market estimates and included an increase in lending to the personal sector. A fall of 0.1 per cent in seasonally adjusted M0 money supply was in line with expectations, but the rise of 0.3 per cent in M4 money supply was a little lower than most forecasts.

Speculation about a possible UK general election in November tended to fade after Mr Chris Patten, chairman of the ruling Conservative Party, said an election campaign was "some way off."

Sterling fell 30 points to $1.7285 against a stronger dollar, but rose to DM2.9200 from DM2.9125; to FFr9.9475 from FFr9.9175; to SFr2.5550 from SFr2.5425; and to Y232.50 from Y232.25. The pound's index closed 0.1 higher at 91.0 after trading at 90.9 for most of the day.

In the European exchange rate mechanism sterling was steady as the third weakest currency. The D-Mark rose above the Italian lira returning to third strongest place in the system. There were no new factors to influence the D-Mark, with the market expecting it to remain firm on economic trends and the wide differential between German and US interest rates.

The Spanish peseta was steady at the top of the ERM, unmoved by news that Spain will eliminate all remaining controls on capital movements by the end of this year.

The Canadian dollar showed little reaction to a fall in Canada's July trade surplus to C$63m from a downward revised surplus of C$822m in June.

£ IN NEW YORK

Sep 19	Latest	Previous Close
£ Spot	1.7280-1.7290	1.7285-1.7295
1 month	0.71-0.69pm	0.73-0.72pm
3 months	1.99-1.96pm	1.97-1.95pm
12 months	6.60-6.50pm	6.60-6.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.19	Previous
8.30 am	90.8	91.1
9.00 am	90.8	91.1
10.00 am	90.9	91.0
11.00 am	90.9	91.0
Noon	90.9	91.1
1.00 pm	90.9	91.0
2.00 pm	90.9	90.9
3.00 pm	90.9	90.9
4.00 pm	91.0	90.9

CURRENCY MOVEMENTS

Sep 19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.7
U.S Dollar	65.1	-14.1
Canadian Dollar	106.1	+3.4
Austrian Schilling	109.3	+11.6
Belgian Franc	110.8	-2.4
Danish Krone	108.4	+3.1
D-Mark	117.4	+24.2
Swiss Franc	109.3	+18.3
Dutch Guilder	113.6	+15.6
French Franc	102.2	-13.5
Lira	98.6	-19.8
Yen	138.3	+70.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.18

CURRENCY RATES

Sep 19	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.783206	0.702511
U.S Dollar	5.50	1.35847	1.21569
Canadian $	8.78	1.54458	1.38152

OTHER CURRENCIES

Malaysia	4.7460 - 4.7450	2.7485 - 2.7505
Mexico	5280.55 - 5287.10	3055.00 - 3057.00
N Zealand	2.9530 - 2.9565	1.7105 - 1.7125
Saudi Ar.	6.4420 - 6.5185	3.7500 - 3.7510
Singapore	2.9235 - 2.9305	1.6940 - 1.6960
S Af (Cm)	4.8760 - 4.8875	2.8255 - 2.8270
S Af (Fn)	5.3445 - 5.4285	3.0960 - 3.1445
Taiwan	46.30 - 46.40	26.55 - 26.60
U.A.E.	6.3075 - 6.3845	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.541	-3.81	5.23	66
Belgian Franc	42.4032	42.2211	-0.43	1.66	26
D-Mark	2.05586	2.04845	-0.36	1.59	29
Italian Lira	1538.24	1533.23	-0.33	1.55	21
Dutch Guilder	2.31643	2.30909	-0.32	1.54	20
Irish Punt	0.767417	0.766419	-0.13	1.35	10
Sterling	0.696904	0.702511	0.80	0.41	-16
Danish Krone	7.84195	7.91539	0.94	0.28	-38
French Franc	6.89509	6.97930	1.22	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7250 - 1.7330	1.7280 - 1.7290	0.71-0.69cpm	4.86	1.97-1.93pm	4.51
Canada	1.9615 - 1.9675	1.9620 - 1.9630	0.35-0.26cpm	1.86	0.90-0.76pm	1.69
Netherlands	3.2805 - 3.2950	3.2850 - 3.2950	½-¼cpm	1.14	½-⅜pm	0.53
Belgium	59.90 - 60.20	60.10 - 60.20	16-1cpm	1.70	26-7pm	1.10
Denmark	11.2345 - 11.2785	11.2650 - 11.2750	1-¼orepm	0.67	1¾-¼pm	0.51
Ireland	1.0875 - 1.0960	1.0910 - 1.0920	0.05-parcpm	0.27	0.13-0.03pm	0.29
Germany	2.9110 - 2.9225	2.9175 - 2.9225	½-¼pfpm	1.28	½-⅜pm	0.60
Portugal	249.15 - 251.05	250.05 - 251.05	35-89cdis	-2.97	186-258dis	-3.54
Spain	182.30 - 183.35	182.95 - 183.25	25-32cdis	-1.87	84-96dis	-1.97
Italy	2176.70 - 2185.90	2184.25 - 2185.25	1-3liredis	-1.10	6-8dis	-1.28
Norway	11.3895 - 11.4300	11.4200 - 11.4300	par-⅝oredis	-0.33	1⅛-2dis	-0.55
France	9.9155 - 9.9535	9.9425 - 9.9525	1-¾cpm	1.06	1¾-1½pm	0.68
Sweden	10.5975 - 10.6375	10.6250 - 10.6350	⅜-parorepm	0.21	par-⅝dis	-0.16
Japan	231.95 - 233.00	232.00 - 233.00	¾-⅝ypm	3.55	2⅛-2pm	3.55
Austria	20.47 - 20.53	20.48 - 20.51	2¼-1¼gropm	1.02	4¾-2½pm	0.72
Switzerland	2.5475 - 2.5600	2.5500 - 2.5600	½-¼cpm	2.05	1⅜-1¼pm	1.96
Ecu	1.4205 - 1.4270	1.4235 - 1.4245	0.09-0.04cpm	0.55	0.12-0.07pm	0.27

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.60-3.55cpm. 12 Month 6.55-6.45cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7250 - 1.7330	1.7280 - 1.7290	0.71-0.69cpm	4.86	1.97-1.93pm	4.51
Ireland†	1.5815 - 1.5880	1.5830 - 1.5840	0.58-0.53cpm	4.21	1.73-1.63pm	4.24
Canada	1.1360 - 1.1375	1.1365 - 1.1375	0.27-0.30cdis	-3.01	0.79-0.84dis	-2.87
Netherlands	1.8950 - 1.9050	1.9030 - 1.9040	0.58-0.61cdis	-3.75	1.77-1.82dis	-3.77
Belgium	34.65 - 34.85	34.75 - 34.85	9.50-11.50cdis	-3.62	30.00-35.00dis	-3.74
Denmark	6.4980 - 6.5260	6.5175 - 6.5225	2.10-2.40oredis	-4.14	6.65-7.15dis	-4.23
Germany	1.6810 - 1.6910	1.6885 - 1.6895	0.51-0.52pfdis	-3.66	1.55-1.57dis	-3.69
Portugal	144.65 - 144.85	144.75 - 144.85	87-97cdis	-7.62	285-305dis	-8.15
Spain	105.20 - 106.05	105.95 - 106.05	58-63cdis	-6.85	171-179dis	-6.60

EURO-CURRENCY INTEREST RATES

Sep 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Dutch Guilder	9⅛ - 9¼	9⅛ - 9¼	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9⅜	9⅞ - 9⅞
Swiss Franc	8⅛ - 8	8⅛ - 8	8⅜ - 8⅛	8⅜ - 8⅛	8⅛ - 7⅞	7⅞ - 7⅞
D-Mark	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅞ - 9⅜	9⅞ - 9⅞
French Franc	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9⅜	9½ - 9⅜	9½ - 9⅜
Italian Lira	12 - 10	11½ - 10¾	11½ - 11	11½ - 11	11⅞ - 11⅝	11⅞ - 11⅝
Belgian Franc	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9⅜	9⅞ - 9⅜	9½ - 9⅜
Yen	7⅛ - 7	7⅝ - 7⅛	7⅛ - 7⅛	6⅝ - 6⅜	6⅞ - 6⅝	6⅛ - 6⅜
Danish Krone	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝	9⅛ - 9⅝	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	5⅜ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅛	6⅛ - 6⅛	6⅛ - 6⅛

Long term Eurodollars: two years 6⅝-6½ per cent; three years 7⅛-7 per cent; four years 7⅜-7¼ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.729	2.920	232.5	9.948	2.555	3.290	2185.	1.963	60.05	1.423
$	0.578	1	1.689	134.5	5.754	1.478	1.903	1264	1.135	34.73	0.823
DM	0.342	0.592	1	79.62	3.407	0.875	1.127	748.3	0.672	20.57	0.487
YEN	4.301	7.437	12.56	1000.	42.79	10.99	14.15	9398	8.443	258.3	6.120
F Fr.	1.005	1.738	2.935	233.7	10.	2.568	3.307	2196	1.973	60.36	1.430
S Fr.	0.391	0.677	1.143	91.00	3.894	1	1.288	855.2	0.768	23.50	0.557
H Fl.	0.304	0.526	0.888	70.67	3.024	0.777	1	664.1	0.597	18.25	0.433
Lira	0.458	0.791	1.336	106.4	4.553	1.169	1.506	1000.	0.898	27.48	0.651
C$	0.509	0.881	1.488	118.4	5.068	1.302	1.676	1113	1	30.59	0.725
B Fr.	1.665	2.879	4.863	387.2	16.57	4.255	5.479	3639	3.269	100.	2.370
ECU	0.703	1.215	2.052	163.4	6.991	1.796	2.312	1535	1.379	42.20	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	0.13	-	-
105	1.76	-	-	0.29	0.69	-
106	1.08	1.57	-	0.58	-	-
107	0.57	-	-	1.07	-	-
Open int.	98,849	30,884	2,150	77,937	32,470	7,650

Estimated volume 25,525 Total Open Interest 249,940

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7285	1.7215	1.7090	1.6927	1.6635

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Nat Westminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	11	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk.	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates stay firm

INTEREST RATES had a firm tone on the London money market yesterday after a larger than expected rise of £3.6bn in UK bank and building society lending in August, compared with a revised gain of £3.3bn in July. Dealers said the data may indicate that the recession is past its worse.

Three-month sterling interbank was quoted at 10⅝-10½ against 10¼-10⅛ per cent and 12-month money was unchanged at 10⅛-10 per cent.

Short sterling futures finished at the top of the day's range. December delivery opened lower at 90.13, but closed at the high of 90.21 against 90.17 previously.

Credit was in short supply on the cash market. The Bank of England initially forecast a day-to-day shortage of £1,100m, but revised this to £1,050m at noon and to £1,000m in the afternoon. Total assistance of £947m was provided.

An early round of help was offered and at that time the authorities bought £255m bills outright, by way of £15m Treasury bills in band 1 at 10¾ per cent and £48m bank bills in band 1 at 10¾ per cent. Before lunch another £315m bills were purchased outright, via £147m bank bills in band 1 at 10¾ per cent; £1m Treasury bills in band 2 at 10¾ per cent; and £167m bank bills in band 2 at 10¾ per cent.

In the afternoon another £272m bills were bought, through £270m Treasury bills in band 1 at 10¾ per cent and £2m bank bills in band 2 at 10¾ per cent. Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £680m, with exchequer transactions absorbing £265m, a rise in the note circulation £90m and bank balances below target £55m.

In Oslo the Norwegian Central Bank raised its overnight lending rate to 10.0 from 9.5 per cent. Higher market rates and a weaker krone caused the move. The overnight rate, charged to commercial banks, is a benchmark for Norwegian rates in general.

In Frankfurt call money eased to 9.00 from 9.05 per cent as credit remained in comfortable supply despite a drain of liquidity by the Bundesbank at this week's securities repurchase agreement tender. Banks' reserves at the central bank remained at a relatively high level. Seasonal tax payments had not yet left the banking system, but may do so today.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.19) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 5⅜	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8	One month	5.20	Three year	6.46
Broker loan rate	7¼	Two month	5.24	Four year	6.64
Fed funds	5⅛	Three month	5.34	Five year	7.08
Fed funds at intervention	-	Six month	5.46	Seven year	7.43
		One year	5.56	10-year	7.62
		Two year	6.18	30-year	7.94

Sep.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	8.95-9.10	9.00-9.15	9.05-9.20	9.20-9.35	9.25
Paris	9⅛-9¼	9¼-9⅜	9¼-9⅜	9⅜-9½	9⅜-9½	9.25
Zurich	7½-7⅝	8-8¼	-	8-8¼	-	-
Amsterdam	8.81-8.94	9.08-9.16	-	9.18-9.28	-	-
Tokyo	6⅞-6⅞	6⅞-7	-	6½-6⅝	-	-
Milan	10¾-11	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	9.12-9.18	9¼-9⅜	-	9⅜-9½	-	-
Dublin	9⅝-9¾	9⅞-10	9⅞-10⅛	10-10⅛	10-10⅛	-

LONDON MONEY RATES

Sep 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10⅞	10⅝	10⅝	10⅜	10⅛
Interbank Bid	10½	10⅝	10½	10½	10¼	10
Sterling CDs	-	-	10½	10¼	10⅛	10⅛
Local Authority Deps.	10⅞	10⅞	10⅝	10⅝	10⅜	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10½	-	-	-	-
Company Deposits	-	-	10⅞	10⅝	10⅜	10⅜
Finance House Deposits	-	-	10⅞	10⅝	10⅜	10⅛
Treasury Bills (Buy)	-	-	10⅜	9⅝	9⅜	-
Bank Bills (Buy)	-	-	10⅜	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.55	5.53	5.70	5.88
SDR Linked Dep. Offer	-	-	7⅜	7¼	7⅜	7⅛
SDR Linked Dep. Bid	-	-	7⅛	7⅛	7⅛	7¼
ECU Linked Dep. Offer	-	-	9⅝	9⅝	9⅝	9⅞
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9⅝	9⅝

Treasury Bills (sell); one-month 10⅛ per cent; three months 9½ per cent; six months 9⅜ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.5629 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 30, 1991. Agreed rates for period Sept.25, 1991 to October 25, 1991, Scheme I: 12.08 p.c., Schemes II & III: 12.17 p.c. Reference rate for period August 1, 1991 to August 30, 1991, Scheme IV&V: 10.950 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,651 Set by GRIFFIN

ACROSS

1 Call and talk of what's on the envelope (4,3,7)
10 Between morning and midnight, on entering (5)
11 Final offer caused tumult – I am distraught! (9)
12 Babble quietly to irritate (7)
13 Can turn into sheltered bay curving inwards (7)
14 Idiot swallowing last of haggis gets wind! (5)
16 County refuse dump by a railway (9)
19 Painting user is non-U solicitor (9)
20 Delivered new vase to front door (5)
22 Material from most inferior journalist (7)
25 Being back home, scene's changed (7)
27 One man in queue for rake (9)
28 Kingdom where Alma's hiding (5)
29 What seamstress uses causes tingling sensation! (4,3,7)

DOWN

2 Love helping after a party (9)
3 US soldier's in the back number (5)
4 Use neat as mixture is disgusting (9)
5 Bill, holding tin-opener up it, needed room (5)
6 Modernise slide rules arrogantly (9)
7 Unusually cross last night, are standing outside (5)
8 Seasonal amount my Elizabeth accepted (7)
9 Covers floor before removing head of wet fish (6)
15 Cutting back to look up restaurant (9)
17 Persist when salesman turns critical (9)
18 Notice vehicle damaged gate edge (9)
19 Neat mistake or bloomer (7)
21 Delightful red dress Miss Johnson's after (6)
23 Man raised alternative to waste disposal unit (5)
24 Dehydrated doctor to die in distress (5)
26 Scrap with mum, looking angry (5)

Solution to Puzzle No.7,650

هكذا مضت التصل

WORLD STOCK MARKETS

AUSTRIA

September 19	Sch	+ or –
Austrian Airlines	2,810	–10
Creditanstalt	571	–18
EA General	3,520xr	–20
EVN	860	–6
Jungbunzlauer	10,060	+20
Laenderbank	1,020	....
OeMV	998	–2
Perlmooser Zement	1,740	....
Radex Heraklith	772	–3
Reininghaus Brau	1,870	–30
Steyr Daimler	355	–2
Veitscher Magnesit	487	–15
Verbund (Br) A	524	–3
Wienerberger	5,530	–95

BELGIUM/LUXEMBOURG

September 19	Frs.	+ or –
ACEC-Union Min	2,235	+135
Arbed	4,440	+80
BBL	2,700	....
Bank Intl a Lux	11,100	....
Banq Gen Lux Pts	12,250	....
Barco	990	+50
Bekaert	9,840	+140
CBR Ciment	7,880	+120
Cobepa	4,950	+50
Cobepa AFV 1	4,870	–10
Cockerill Priv	163	....
Colruyt	3,880	–10
Delhaize Frs Lion	7,550	+50
Electrabel	4,550	+30
Electrabel AFV	4,440	+10
Electrafina ACT	2,650	....
Fabrique Nat	105	....
GBL	3,160	+10
GBL AFV 1	3,115	+55
GIB Group	1,200	–10
GIB Group AFV	1,178	+4
Gechem	634	+4
Gechem AFV	600	....
Generale Banque	5,350	+40
Gen Banque AFV1	5,330	–20
Gevaert	6,680	+20
Kredietbank	3,990	....
Kredietbk AFV	3,925	....
Pan Holding Lux	13,700	....
Petrofina	11,000	....
Powerfin	2,365	+15
Powerfin AFV	2,280	....
Royale Belge	4,010	+60
Royale Belge AFV 1	3,860	–70
Soc Gen Belge	2,290	....
Soc Gen Belge AFV	2,235	+10
Sofina	11,300	....
Solvay	12,600	–100
Tessenderlo	5,950	–20
Tessenderlo AFV	6,000	+150
Tractebel	7,700	–10
Tractebel AFV 1	7,610	....
UCB	18,575	+25
UCB AFV	18,075	+50
Wagons Lits	6,590	+180
Wagons Lits AFV	6,380	....

DENMARK

September 19	Kr	+ or –
Baltica Holding Reg	708	–11
Bikuben	324	–3
Carlsberg A	1,890	–10
D/S 1912 A	105,000	–1,500
Danisco	1,000	–1
Den Danske Bank	314	–6
East Asiatic	189	....
FLS Ind B	777	–3

FRANCE (continued)

September 19	Frs.	+ or –
Beghin-Say Cert Inv	469.90	+4.90
Bongrain	2,370	–10
Bouygues	614	–5
CGIP	1,076	–33
C M B Packaging	148.30	–0.60
Canal+	1,066	–9
Cap Gemini S	300xr	–1.80
Carrefour	2,040	–13
Casino	155.40	–2.50
Cetelem	825	....
Chargeurs	897	+9
Club Mediterranee	463	+6
Cogifi	325	....
Coparex	381	....
C C F	174.50	+3.50
Cr Fonc France	1,111	–11
Cred Lyon (CI)	503	+6.90
Credit National	1,200	....
Damart	2,160	+10
Docks de France	386.50	–1.70
Dollfus Mieg Cie	330	–11
EBF	749	–1
Eaux Cie Genl	2,489	+1
Ecco	398	–0.20
Elf-Aquitaine	401	+6
Elf-Aquitaine Certs	270	–0.50
Essilor Int	337	–6
Euex	1,880	–20
Eurafrance	1,580	–14
Eurocom	813	–3
Euro Disney	138	–1.20
Exor	1,264	–16
Finextel	123.90	+1.90
Fonc Lyonnaise	597	–13
From C et Aux	2,408	....
GTM-Entrepose	412	+5
Gal. Lafayette	1,590	–10
Gaumont (Soc N)	750	....
Gen Occidentale	791	+2
Geophysique	805	+5
Hachette	190.10	–0.80
Havas	508	–7
Imetal	279.50	....
Imm de France	975	–20
Immobanque	690	–4
Immob Phenix	180.50	+0.70
Industrielle	4,660	–20
Interbail	461	–1
Intertechnique	965	–5
LVMH	4,092xr	+21
Lafarge Coppee	382	+3
L'Oreal	649	....
Legrand	3,885	+25
Lyonn Eaux Dumez	552	–2
Matra	176	+1
Merlin-Gerin	528	–2
Michelin B	123.90	+3.30
Moulinex	157.40	–0.90
Navigation Mixte	1,270	+15
Nord Est	114	–2
Orsan	180	+4.90
Paribas	445	+8
Paris Reescompte	294	+2
Pernod Ricard	1,262	+7
Perrier	1,380	+5
Peugeot	630	+13
Pinault	284.60	+3.60
Poliet	461	–1
Printemps (Au)	856	–31
Promodes	2,470	+10
Radiotechn	516	–4
Redoute	4,450	–56
Rhone Poulenc Cts	420	–14
Roussel-Uclaf	1,955	....
SILIC	610	–13
Sagem	1,600	–10
Saint Gobain	478	+5.90
Saint Louis	1,445	–23
Sanofi	975	+5

GERMANY (continued)

September 19	Dm.	+ or –
Continental AG	214	[illegible]
DLW	516	[illegible]
Daimler-Benz	717	[illegible]
Deckel (Fr)	145.50	[illegible]
Degussa	347	[illegible]
Deutsche Babcock	162.80	[illegible]
Deutsche Bank	641	[illegible]
Didier-Werke	171	[illegible]
Douglas Hldg	730	[illegible]
Dragerwerk	300	[illegible]
Dresdner Bk	341.40	[illegible]
Fag Kugelfischer	263	[illegible]
Gerresheimer	445	[illegible]
Goldschmidt (TH)	724	[illegible]
Hamburg Elekt	177	[illegible]
Hapag Lloyd	465	[illegible]
Heidelb Zem	985	[illegible]
Henkel Prf	562	[illegible]
Herlitz	405	[illegible]
Hochtief	1,262	[illegible]
Hoechst	247.40	[illegible]
Hoesch	301.80	[illegible]
Holzmann Ph	1,265	[illegible]
Horten	191	[illegible]
Industriekredit	249	[illegible]
Industrie Werke	317	[illegible]
Kali & Salz	166	[illegible]
Karstadt	626	[illegible]
Kaufhof	531.50	[illegible]
KHD	161.10	[illegible]
Klockner Werke	140	[illegible]
Lahmeyer	888	[illegible]
Leifheit	675	[illegible]
Linde	825	[illegible]
Linotype-Hell	535	[illegible]
Lufthansa	147.40	[illegible]
Lufthansa n/v Prf	125	[illegible]
MAN	378.50	[illegible]
MAN Pref	302.90	[illegible]
Mannesmann	267.20	[illegible]
Mannheim Vers	755	[illegible]
Mercedes Hld	555	[illegible]
Metallgesellschaft	475	[illegible]
Muench Rueck (Reg)	2,370	[illegible]
PWA	258	[illegible]
Phillips Kommun	509	[illegible]
Porsche	672	[illegible]
Preussag	376.50	[illegible]
Rheinelektra	1,465	[illegible]
Rheinmetall Berlin	330	[illegible]
Rheinmetall Prf	260.50	[illegible]
Rhein West El	379.80	[illegible]
Rhein West El Prf	318.80	[illegible]
Rosenthal	277	[illegible]
Schering	803.80	[illegible]
Schmalbach Lubeca	548.50xr	[illegible]
Siemens	638	[illegible]
Springer Axel Rg	560	[illegible]
Sud Chemie	580	[illegible]
Thyssen	233	[illegible]
Varta	329	[illegible]
Veba	349	[illegible]
VEW	199.60	[illegible]
Verein-West	356	[illegible]
Viag	401	[illegible]
Volkswagen	361.30	[illegible]
Volkswagen Prf	313	[illegible]
Wella Prf	653	[illegible]
Zanders Feinpap	267	[illegible]

ITALY

CANADA

INDICES

TOKYO - Most Active Stocks

Thursday 19 September 1991

3:15 pm prices September 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¾	AAR Corp	0.48	0.03	15	730	14⅝	14⅛	14⅛	-⅛
18⅞	14½	A L Labs A	0.16	0.01	18	208	16⅞	16⅛	16⅝	+½
55¾	40⅞	AMP Inc	1.44	0.03	20	1135	52¼	51⅛	51⅞	-⅛
68⅝	44¼	AMR			17	2903	59⅛	58⅛	58⅝	-½
2⅝	1	ARX			1	9	1¼	1⅛	1¼	+⅛
56	41½	ASA	3.50	0.08	13	148	46⅝	45⅞	46	-⅝
55¼	39¼	Abbott Lab x	1.00	0.02	22	3382	53½	52⅞	53¼	
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	z100	13⅛	13⅛	13⅛	
11⅝	10⅜	ACM Gvt In x	1.38	0.11		738	11⅛	11	11⅛	-⅛
9¾	8¾	ACM GvOpp x	1.01	0.11		83	9½	9⅜	9⅜	
9¼	8¼	ACM Gvt Sp	1.07	0.11		335	u9¼	9	9⅛	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		451	10⅜	10⅝	10⅝	
8⅝	7⅝	ACM Mgn x	1.01	0.12		379	u8⅝	8½	8½	
12⅞	11½	ACM Managd x	1.35	0.11		367	12⅜	12¼	12¼	
7½	4¾	Acme Cleve	0.40	0.06	17	190	6⅜	6⅛	6⅜	
6	3⅛	Acme Elect			2	7	4½	4⅜	4⅜	
40	22¼	Acuson			22	1571	32⅜	30½	32⅛	+1⅛
19⅛	14¼	Adams Expr	0.73	0.04	0	11	18¾	18⅝	18¾	+⅛
20⅛	17½	Adobe12PI	2.40	0.12		18	19⅜	19⅜	19⅜	+⅛
9¼	6⅝	Adobe Res			54	2083	8¼	8	8⅛	-⅞
38⅛	18	Ad Micro				11	34	34	33½	
14¼	4⅝	Ad Micro P	3.00	0.28	17	3360	10¾	10½	10½	-⅛
5⅛	2¼	Advest Grp	0.16	0.05	6	65	3⅛	3⅛	3⅜	+⅛
49⅛	31⅞	Aetna Lf	2.76	0.08	7	2881	34⅛	33⅞	34⅛	+⅛
10⅝	6⅝	Affil A	0.24	0.03	46	668	8½	8⅜	8⅜	+⅛

- B -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36	25½	Barclo ADR	1.76	0.06	16	19	32	31¾	32	-¼
28⅞	14⅞	Bard (C R)	0.48	0.02	25	2545	24⅛	23¾	24⅛	+1
36⅛	26	Barnes Grp	1.40	0.04	14	2	35¼	35¼	35½	+¼
38⅞	15½	Barnett Bk	1.32	0.04	27	2705	31⅞	31⅛	31⅜	-⅝
8⅞	4⅞	Barnid x	0.20	0.03	16	518	6⅝	6⅝	6⅝	-⅛
10⅝	5⅞	Battle Mt	0.10	0.01	42	5775	7¼	6⅞	6¾	-½
55¼	31¼	Bausch Lmb	0.72	0.02	19	759	45⅞	45½	45¾	-⅛
44⅛	35¼	Baxter Pf x	3.63	0.09		20	41⅛	41¼	41¼	
37⅛	25⅝	Baxter x	0.74	0.02	17	2928	34¾	34⅛	34⅝	+¼
22	18⅞	Bay St Gas	1.34	0.06	13	156	u22	21¾	22	
22	20	Bd Tr 1838	1.82	0.08		45	u22	21½	22	+½
15¾	8.95	Bear Strns	0.60	0.04	10	8139	15⅛	14⅝	14¾	+⅛
41½	35½	BearStPfA	3.60	0.09		z100	40	40	41½	
23¾	15¼	Bearings	0.64	0.03	32	2	20	20	20	
13¼	3¼	Beazer ADR x				125789	8¼	8⅛	8¼	+⅛
20⅝	13⅞	Beckman In	0.28	0.01	15	291	20⅛	19⅝	19⅝	-⅛

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هكذا من الاصل

NYSE COMPOSITE PRICES

Continued from previous page

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- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60⅛	35¼	Xerox	3.00	0.05	10	924	59	58⅛	58½	+⅞
51½	43¼	Xerox4.125				2	50	50	51	
21½	14⅛	Xtra 1.94				58	21⅛	21	21⅛	+⅛
24⅞	14¼	Xtra Corp	0.72	0.03	78	112	23½	23	23½	+¾
24⅛	21¾	Yankee Egy	1.60	0.07	11	45	24⅛	23⅞	24⅛	
1½	⅜	Zapata			2	100	[illegible]	[illegible]	[illegible]	+1/16
9⅝	6½	ZenithElec			1	324	5⅞	5⅝	5¾	
18½	12	Zenith Nat x	1.00	0.06	94	31	16⅛	16	16⅛	
8¾	4½	Zenix Inc x	0.84	0.14		5	6	5⅞	6	
16⅛	10⅞	Zero Corp	0.40	0.03	17	615	15	14⅞	14⅞	
41⅞	29½	Zurn Ind x	0.88	0.02	14	348	34⅞	34½	34⅞	
13½	10¼	Zweig Fund	1.12	0.09		108	12⅜	12¼	12¼	
10¼	8½	Zweig Totl x	0.96	0.10		581	10⅛	10	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	322	10⅛	10	10	-⅛
Perini		5	10	10⅛	9⅞	10⅛	+⅛
Pa REIT x	0.31	12	5	10⅛	10⅛	10¼	
Phil LD x	0.17	7	409	18⅞	18⅝	18¾	+¼
Pitway A	0.70	9	32	22½	22¼	22¼	-¼
Ply Gem	0.12	182	1332	8¼	8	8⅛	

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices September 19

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		37	1379	30	28½	29½	+⅞
XL Data		34	17	11¾	11⅜	11½	-⅛
Xoma Corp		9	5875	17	16½	16¾	+¼
Yellow Fr	0.94	15	1152	30	29½	29⅝	-⅛
York Rsch		64	1195	8¼	7⅝	7¾	-⅛
ZionsUtah	1.44	9	415	47½	46½	46¾	-¼

AMERICA

Futures-related program buying sparks off rally

Wall Street

FUTURES-RELATED program buying sparked off a midsession rally yesterday, sending equities broadly higher on reasonably heavy volume, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 19.90 higher at 3,037.79. On the big board, advancing issues led declining stocks by a ratio of four to three. The more representative Standard & Poor's 500 was 1.76 higher at 388.70 at 12.30 pm, while the Nasdaq composite of secondary stocks climbed 4.29 to 522.95. The Dow closed 4.48 higher at 3,017.67 on Wednesday.

Yesterday morning's activity was spurred by tomorrow's "triple witching", when stock-index futures and options and options on individual stocks all expire.

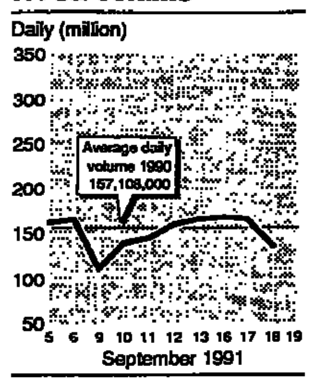
Although the Dow has held above the 3,000 level all week, yesterday's sharp gain was not a reflection of underlying market sentiment.

Royal Dutch Shell slid $¼ to $81½ in exceptionally heavy trading, on news that the company's Shell Western E&P unit is pulling out of Alaska after spending about $140m with its partners to explore for oil off the Alaskan coast. The oil and gas properties are being offered for sale.

Federal Express moved $⅛ lower after the company turned in first quarter earnings of 32 cents a share, sharply below the 81 cents reported a year. But by midsession the issue had recovered, turning higher with the market to add $⅝ to $36⅞.

Eli Lilly eased $¼ to $82⅝ after Merrill Lynch cut its earnings estimate for the company. Other drug companies, however, posted gains in the morning, including Merck, up $1⅛ at $132⅝, and Pfizer, $⅞ higher at $65¾.

NYSE volume



Helene Curtis, a personal care products company, climbed $1¾ to $39¼ after Kidder Peabody initiated research on the stock with a "buy" rating.

Among the most actively traded blue chip issues, American Telephone & Telegraph added $⅛ to $38 and IBM rose $¼ to $105⅝.

In over-the-counter trading, Regeneron soared $2⅜ to $15 in heavy trading after an analyst at Southview Financial Group repeated a "buy" rating on the stock and described it as one of the best short-term buys among biotechnology issues. Among other biotech stocks, Amgen added $1¾ to $57 and Centocor firmed $¼ to $53¾.

Adobe Systems soared $6¼ to $51 after reporting third quarter earnings of 55 cents a share against 45 cents a year earlier. Analysts had expected the print and graphic software systems company to post earnings of about 53 cents a share.

Disappointing earnings from LTX Corp pushed the issue $1 lower to $3. LTX turned in net income of 8 cents a share for the fourth quarter, below the 12 cents a share most analysts had expected.

Canada

TORONTO stocks lost ground as investors adjusted portfolios and sold some positions before today's triple witching expiry of stock index options and futures. The composite index lost 3.4 to 3,415.1. Declines led advances by 189 to 172 on volume of 11.3m shares valued at C$118m.

Among active issues, Mackenzie Financial eased C$⅛ to C$6¾, Canadian Pacific fell C$⅛ to C$18⅛ and Trans-Canada was flat at C$16¼.

Central Guaranty Trustco jumped C$1⅛ to C$18½ and Central Capital Corp class A rose 45 cents to C$1.75 before both issues were halted by the Toronto Exchange.

Central Capital denied a report that today it will consider offers from four suitors for Guaranty Trustco, which is up for sale.

Milan settles for technical recovery hopes

Antonia Sharpe says that the Italian market has deep-seated, fundamental problems

THINGS ARE looking pretty glum on the Milan stock market. Turnover is sharply down after a recent stock fraud scandal that alienated domestic and foreign investors and, now that the general election has been slated for next May, the current government is less keen to push ahead with unpopular but necessary fiscal legislation.

Italy has been one of Europe's worst performers this year. According to the FT-Actuaries indices, it has climbed by only 5.4 per cent in 1991, well behind the 16.6 per cent for Europe excluding the UK. So far this quarter, Italy is down by 6.8 per cent, compared with a rise of 0.5 per cent for the rest of the Continent.

The government's inability to reduce the public sector deficit, and the delay in parliament's approval of stock market reforms to protect rights of minority shareholders, make it difficult for brokers to persuade investors to return.

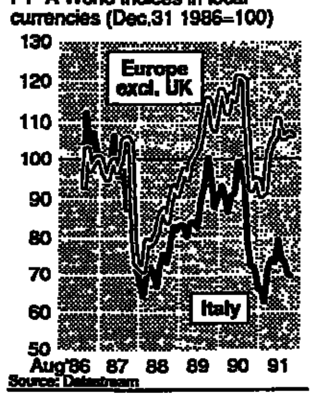
Yet analysts are saying that Italian equities are ripe for a temporary recovery. "Milan is due for a short-term, technical rally," says Mr Enrico Ponzone at Kleinwort Benson Securities. Mr Nicolò Braendli, a director at Milan brokers Boffa Solbiati, believes the negative factors have been discounted. "I do not see a big downside risk at current price levels," he says.

The depth of the share price decline has prompted Mr Stephen Reitman at UBS Phillips & Drew, a seller of the market leader Fiat since 1987, to change his recommendation to hold. In the past five years, Fiat's share price has halved from above L12,000 to under L6,000; it peaked at over L15,000 in 1986.

An upturn in the market could come after the interim results of Fiat, due on September 26, and of Olivetti, the day after. Both sets of results are expected to be bad, even loss-making in Olivetti's case, owing to the difficult trading conditions in the car and computer industries.

Precise half-year forecasts are not readily available. Estimating even the full-year results of Italian companies is a bit like shooting in the dark. This year, Fiat's true earnings will be veiled by a L800bn ($636m) gain from selling its Telettra telecommunications subsidiary to Alcatel Alsthom, of France.

FT–A World Indices in local currencies (Dec.31 1986=100)



Source: Datastream

Mr Francesco Riciulli at Paribas Capital Markets believes any progress in the wage talks between unions, employers and the government during the next month will be a positive signal for the market. Wage increases have been running at between 11 and 15 per cent, well ahead of inflation at around 6 to 7 per cent.

With state employees accounting for about one-fifth of Italy's workforce, this puts an unbearable strain on public finances. At the same time, high unit labour costs make Italian industry less competitive. "A real increase of 1 to 2 per cent would be good news," Mr Riciulli says.

But the bourse's future can only improve if its fundamental problems are solved. Analysts agree that foreign investors will only discard their negative attitude towards Italian equities when stock market reforms are enforced, and when there is evidence that the government is coming to grips with the public sector deficit.

Milan is now one of the last bourses in Europe still to introduce continuous share trading, a facility which is now available in Portugal. Milan's experiment with continuous trading has been delayed by technical difficulties.

A reduction in state borrowing would raise the profile of the Milan bourse, which is dwarfed by the huge bond market. Analysts hope that the presence of European Community observers at the Italian Treasury during current talks to draw up the 1992 budget will be the catalyst.

Meanwhile, Italian equities have great difficulty in competing with bonds for investors' money, since the state's borrowing needs keep the returns on fixed-income instruments artificially high and create a far more liquid market. Official average daily turnover on the bourse is just L60bn ($47m), compared with L9,000bn on the bond market.

Family and state holdings in companies also restrict the Milan bourse, where only half the listed shares are free-float. According to Kleinwort Benson, the capitalisation of the Milan stock market was equivalent to only 16 per cent of Italy's gross domestic product in 1990, against 97 per cent for the bond market. This compares with 23 per cent and 61 per cent respectively in Germany, 24 per cent and 56 per cent in France and 90 per cent and 28 per cent in the UK.

EUROPE

Telecoms shares feature in France and Spain

CORPORATE NEWS and an early rise on Wall Street lifted several bourses yesterday. Telecommunications stocks featured in France and Spain, *writes Our Markets Staff.*

PARIS recouped an early loss to close at its third 1991 high this week. The CAC 40 index finished 10.95 up at 1,880.36, recovering from a day's low of 1,859.40. Turnover was fairly active at FFr2.3bn.

In telecoms, Alcatel Alsthom gained FFr21 or 3.6 per cent to FFr607 on volume of 434,230 shares. The rise followed the previous day's better-than-expected first-half results.

CSEE, the electronics company facing a takeover bid from Quadral, jumped another FFr26.80 or 15.9 per cent to FFr195. The stock exchange authorities said that Finmeccanica of Italy and Groupement Privé de Gestion had raised their stakes in CSEE on Wednesday.

Rémy & Associés advanced FFr17.90 or 7.3 per cent to FFr262.50. The drinks group announced plans to merge with Pavis, the family-owned concern that controls production and distribution of Rémy Martin cognac and Cointreau.

On the downside, Printemps fell FFr31 or 3.5 per cent to FFr855 on reports that Maus Frères, the Swiss holding company, would not have to sell its stake. Among companies announcing interim figures, LVMH rose FFr21 to FFr4,092 and Saint-Gobain, which reported a sharp profits fall late in the day, added FFr5.90 to FFr478.

MADRID was again inspired by Telefónica, the telecoms group, which jumped another Pta50 or 4.5 per cent to Pta1,165 after Wednesday's news of a change in dividend policy. Trading volume in the stock almost doubled from the previous day's heavy 5.88m shares to 10.8m.

Again, Telefónica accounted for well over half of the total market turnover of about Pta19bn, up from Pta13.8bn. The general index was barely changed, adding 0.38 to 272.99.

In the banking sector, BBV rose Pta50 to Pta3,155 in active trading, while Banesto slipped Pta5 to Pta3,785. The two banks, which have held talks together, denied rumours that they had agreed to merge.

MILAN held on its early gains as continued demand for the insurer, Generali, spilled into the rest of the sector. The Comit index rose 2.37 to 554.67 in turnover estimated at around Wednesday's L96bn.

Generali, which launched its L1.75 trillion capital increase this week, added L730 to L27,400 in arbitrage-related trading. The rights rose L229 or 6 per cent to L4,030. The insurance sector index was up 1.7 per cent while other sectors were flat.

Olivetti closed L36 lower at L3,134, before falling to L3,125 after hours. Fiat was fixed L40 higher at L5,575, but later fell back to L5,520.

FRANKFURT consolidated Wednesday's post-bourse losses, the DAX index closing 7.37 lower at 1,620.70 after a 3.87 fall to 671.29 in the FAZ at midsession. Volume fell from DM4.5bn to DM3.9bn. However, Wall Street's early improvement helped the German component of the FT-SE Eurotrack 100 index to recover, standing virtually unchanged at the London post-bourse close.

In Frankfurt, Mr Detlev Klug of B Metzler observed that Siemens, which was quoted DM4.60 lower at DM638 at the session close, was DM640 and rising in the afternoon. The company said that it expected to lose DM100m in East Germany in 1991-92. But Mr Klug said that this was about 6 per cent of Siemens' expected net income for that year, and it was the price it might be expected to pay for entry into a brand new market.

Porsche was the weakest of a lower automotive sector, dropping DM26 to DM672. The falling dollar, the US luxury goods tax, a boardroom resignation and the company's lack of success in the Formula One racing market were outweighed Daimler's expressed willingness to buy up to 30 per cent of the company.

ZURICH steadied after a 77 per cent rise in first half profits at CS Holding, which left the bank holding company's bearer shares SFr30 higher at SFr2,070, and the Crédit Suisse index unchanged at 520.6.

STOCKHOLM moved lower across the board in spite of falling interest rates. The Affärsvärlden General index closed at 1076.1, down 5.1, as turnover eased to SKr254m from SKr282m. Astra's free B shares dipped SKr11 to SKr545.

AMSTERDAM recouped part of the day's losses but trading was thin. The CBS tendency index closed 0.2 lower at 91.6, having been as low as 91.4.

Some stocks bucked the trend. PolyGram, Philips' music subsidiary, put on 30 cents to Fl 40.30 and the brewer, Grolsch, advanced 50 cents to Fl 180.

FT-SE Eurotrack 100 - Sep 19

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1113.57	1113.48	1112.55	1111.56	1111.57	1112.70	1113.11	1113.95

Day's High 1114.05 — Day's Low 1110.89

Sep 18	Sep 17	Sep 16	Sep 13	Sep 12
1111.91	1115.57	1111.95	1116.74	1117.77

Base value 1000 (26/10/90).

ASIA PACIFIC

Early Nikkei rise eroded by arrest and bankruptcy talk

Tokyo

MORNING gains were eroded yesterday as rumours that a speculative investor had been arrested prompted some profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed only a net 14.53 up at 23,332.31 after rising to a high for the session of 23,581.60 in the morning. The day's low was 23,219.83.

Volume was unchanged at 600m shares. Trading by individuals and dealers was evident, while some foreigners took profits. Losses finally outnumbered gains by 541 to 482, while 144 issues were unaltered. The Topix index of all first section stocks shed 4.34 to 1,795.81, but in London trading the ISE/Nikkei 50 index put on 12.00 to 1,373.68.

Prices rose sharply in early trading, with speculative stocks leading the way. Heavy selling was triggered in the afternoon by rumours that a prominent speculative investor had been arrested and that a non-bank financial institution had gone bankrupt. Traders suggested that, because investors in stock-index futures options can execute rights every Thursday, some dealers might have circulated rumours to send prices lower.

Speculative stocks were volatile on the rumours. Meiji Seika, the most active issue of the day, touched extremes of Y1,420 and Y1,290 before closing Y80 up at Y1,380. Honshu Paper advanced Y79 to Y980.

Financial institutions were seen cross-trading – selling stocks to realise profits and buying them back at the same price to maintain the portfolio – before the interim book-closing. Mr Masami Okuma at UBS Phillips & Drew said he expected active window-dressing in small-capital issues with low liquidity next week.

Dainippon Ink & Chemicals, the printing company, jumped by its daily limit of Y100 to Y635. Reports that it had developed a chemical capable of restricting the effects of Aids prompted heavy buy orders. Snow Brand Milk, the dairy producer, climbed Y35 to Y985 on reports that it was co-developing a treatment for Alzheimer's disease.

In Osaka, the OSE average declined 26.48 to 25,903.07 as volume surged from 138m shares to 234.5m, the first time it has exceeded 200m since September 1990. Traders attributed the activity to cross-trading.

Roundup

ANOTHER SHARP fall in Jakarta extended its loss so far this week to 12.2 per cent. Most other markets in the region were also weak yesterday.

JAKARTA dropped 4.4 per cent as foreign investors continued to sell. The index fell 12.27 to 259.29 on volume of 4.6m shares. Astra International lost a further 1,500 rupiah to 10,750. **BANGKOK** shed 2 per cent on worries about the Gulf and fears of heavy selling by big investors. The SET index slipped 14.60 to 703.88 in turnover of Bt3.6bn.

KUALA LUMPUR eased as investors stayed out of the market before a long weekend, starting today. The composite index dipped 5.10 to 524.20 in turnover of M$85m (M$70m).

Oriental Holdings, the assembler for Honda vehicles, fell 95 cents to M$8.95 as analysts downgraded their full-year forecasts after its six-month results.

Pengkalen Industrial Holdings, which made its debut yesterday, topped the actives list with 4.8m shares traded. It closed at M$2.70 – a premium of 80 cents over its offer price.

NEW ZEALAND fell on worries about corporate earnings. Magnum dropped 15 cents or 8.2 per cent to NZ$1.68, compared with a 1991 high of NZ$3.15, after its subsidiary, Wilson Neill, told the stock exchange that its profits report on Monday is likely to affect its share price adversely. Wilson lost 3 cents or 10.7 per cent to 25 cents. The NZSE-40 index declined 6.69 to 1,403.15.

SEOUL failed to be encouraged by government measures to boost the economy, as they fell short of providing aid to cash-strapped small and medium-sized companies. The composite index eased 1.79 to 683.70 in slow turnover of Won104bn, against Won154bn.

SINGAPORE closed mixed on thin trading. The Straits Times Industrial index slipped 0.51 to 1,384.83 in turnover of S$66m. Foreigner shares in Singapore Airlines fell 40 cents to S$19.60 on reports that a large block of shares was being privately placed.

HONG KONG extended its losing streak to a fourth day as foreign investors were said to be switching funds to Tokyo. The Hang Seng index tumbled 36.80 to 3,863.68 in turnover of HK$1.22bn, up from HK$927m.

AUSTRALIA rose as the domestic dollar eased back. The All Ordinaries index gained 4.6 to 1,557.6 in steady turnover of A$254m. BHP put on 10 cents to A$13.80 ahead of its quarterly results, due today.

SOUTH AFRICA

GOLD shares closed lower in Johannesburg as the bullion price fell back, but industrials were higher. The all-gold index ended 8 lower at 1,145 and the overall index edged down 1 to 3,421. The industrial index rose 5 to 4,195.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 18 1991								TUESDAY SEPTEMBER 17 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	150.98	−0.3	129.27	128.07	131.99	125.45	−0.3	4.82	151.39	128.81	128.04	131.48	125.77	151.75	112.74	141.98
Austria (20)	183.08	−0.3	156.76	155.31	160.05	160.23	+0.4	1.77	183.69	156.29	155.36	159.53	159.67	222.37	154.82	201.86
Belgium (47)	130.03	−0.5	111.34	110.30	113.67	111.27	+0.2	5.32	130.74	111.24	110.57	113.55	111.07	151.20	118.04	133.85
Canada (114)	136.75	−0.1	117.09	116.00	119.54	112.59	+0.0	3.37	136.87	116.45	115.75	118.86	112.63	142.27	126.49	130.49
Denmark (37)	257.04	−0.6	220.09	218.05	224.71	227.33	+0.0	1.55	258.65	220.07	218.76	224.64	227.34	270.56	217.74	253.79
Finland (16)	93.54	−1.2	80.10	79.36	81.78	80.36	−0.7	3.00	94.67	80.55	80.08	82.22	80.90	125.15	89.53	111.99
France (109)	142.70	−1.3	122.19	121.04	124.74	128.21	−0.6	3.46	144.54	122.98	122.24	125.52	128.96	152.26	118.11	131.81
Germany (65)	111.13	−0.9	95.16	94.28	97.15	97.15	−0.2	2.31	112.10	95.38	94.82	97.36	97.36	125.35	94.15	113.26
Hong Kong (55)	162.00	−1.2	138.71	137.42	141.63	161.34	−1.1	4.39	163.91	139.46	138.63	142.35	163.06	169.98	119.62	121.84
Ireland (18)	163.90	−0.5	140.34	139.04	143.28	145.43	+0.2	3.44	164.73	140.16	139.32	143.06	145.11	182.46	132.88	147.39
Italy (77)	74.05	+1.0	63.41	62.81	64.73	69.54	+1.6	3.33	73.33	62.39	62.01	63.68	68.44	88.23	64.76	85.32
Japan (474)	132.24	−0.9	113.23	112.18	115.62	112.18	−0.8	0.75	133.39	113.50	112.82	115.86	112.82	146.97	118.23	124.23
Malaysia (68)	199.11	−1.1	170.49	168.90	174.06	210.96	−1.0	2.82	201.23	171.22	170.19	174.76	213.17	247.78	189.18	209.79
Mexico (16)	1204.31	−1.5	1031.19	1021.62	1052.82	4014.05	−1.5	1.33	1222.76	1040.37	1034.17	1061.95	4075.53	1226.36	534.45	511.04
Netherland (31)	141.42	−0.6	121.09	119.96	123.63	122.31	+0.1	4.41	142.22	121.01	120.28	123.52	122.23	145.73	125.70	135.59
New Zealand (14)	47.01	−0.7	40.26	39.88	41.10	42.62	−0.4	7.14	47.36	40.29	40.06	41.13	42.79	54.64	41.18	59.83
Norway (31)	198.62	−1.2	170.07	168.49	173.64	177.86	−0.8	1.59	201.12	171.12	170.10	174.67	179.28	223.24	178.58	269.81
Singapore (38)	193.84	−1.3	165.97	164.43	169.45	151.23	−1.4	2.36	196.46	167.15	166.16	170.62	153.32	208.25	151.63	160.54
South Africa (61)	251.78	+0.7	215.58	213.58	220.10	171.71	+0.3	3.21	250.14	212.83	211.56	217.24	171.13	258.85	173.00	165.19
Spain (53)	156.23	−0.2	133.77	132.54	136.58	124.87	+0.5	4.31	156.49	133.15	132.36	135.91	124.19	171.12	131.51	137.18
Sweden (25)	196.95	−0.8	166.63	167.07	172.18	178.87	−0.3	2.49	198.55	168.93	167.93	172.44	179.37	204.12	146.60	189.30
Switzerland (58)	94.13	−1.4	80.59	79.85	82.30	85.89	−0.7	2.25	95.46	81.22	80.75	82.92	86.32	100.67	82.17	92.02
United Kingdom (240)	180.17	−1.0	154.27	152.83	157.49	154.27	−0.4	4.81	182.04	154.89	153.95	158.09	154.89	187.44	156.27	155.39
USA (527)	157.00	+0.4	134.43	133.19	137.26	157.00	+0.4	3.09	156.42	133.09	132.30	135.86	156.42	161.02	125.95	127.67
Europe (827)	142.29	−0.8	121.83	120.70	124.39	123.66	−0.2	3.88	143.50	122.10	121.37	124.64	123.91	151.52	125.50	132.94
Nordic (109)	189.99	−0.8	162.67	161.17	166.09	163.73	−0.2	1.99	191.50	162.94	161.97	166.32	164.11	200.81	155.55	194.93
Pacific Basin (719)	133.25	−0.9	114.09	113.04	116.49	113.60	−0.6	1.10	134.39	114.35	113.67	116.72	114.27	145.92	117.86	124.68
Euro – Pacific (1546)	137.17	−0.9	117.45	116.35	119.91	118.38	−0.4	2.24	138.35	117.71	117.00	120.15	118.88	147.66	121.29	128.38
North America (641)	155.68	+0.3	133.30	132.08	136.12	153.99	+0.4	3.10	155.14	132.00	131.23	134.76	153.46	159.66	125.91	127.75
Europe Ex. UK (587)	119.75	−0.7	102.54	101.60	104.71	106.06	−0.1	3.17	120.61	102.62	102.03	104.77	106.12	129.80	103.58	118.59
Pacific Ex. Japan (245)	143.15	−0.8	122.57	121.45	125.15	125.70	−0.7	4.35	144.25	122.74	122.02	125.30	126.60	147.60	111.40	129.15
World Ex. US (1737)	139.01	−0.8	119.03	117.93	121.53	119.69	−0.4	2.29	140.13	119.23	118.53	121.71	120.17	148.16	122.32	129.04
World Ex UK (2024)	140.60	−0.3	120.39	119.28	122.93	129.08	−0.1	2.32	141.02	119.98	119.28	122.49	129.19	145.77	120.06	124.83
World Ex. So. Af. (2203)	143.33	−0.4	122.72	121.59	125.31	131.10	−0.1	2.58	143.88	122.42	121.70	124.97	131.27	148.68	122.92	127.32
World Ex. Japan (1790)	151.66	−0.1	129.86	128.67	132.61	142.00	+0.1	3.43	151.88	129.23	128.47	131.93	141.88	152.83	126.69	130.53
The World Index (2264)	144.04	−0.4	123.33	122.19	125.93	131.45	−0.1	2.59	144.58	123.01	122.29	125.57	131.61	149.01	123.28	127.54

Constituent change with effect 20/9/91: Deletion: NCR Corp. (USA). Latest prices were unavailable for this edition.

هكذا من الأصل

FINANCIAL TIMES SURVEY

JAPAN IN THE UNITED KINGDOM

SECTION III

Friday September 20 1991

IN A QUIET corner of London's Holland Park, British and Japanese horticulturalists have worked to restore a 19th century Japanese garden that has been neglected and left to decay over the years.

The garden, reopened this week by the Prince of Wales and the Crown Prince of Japan, symbolises the happier relationship emerging in the twilight of the 20th century

The new relationship

JAPAN and Britain, contrary to appearances, have a lot in common: both island nations, great, if not simultaneous, industrial and mercantile records, passions for golf, even a post-war tendency towards long serving conservative governments. Yet history and geography for the most part have kept them apart.

Even 15 years ago, the relationship was still characterised by indifference and incomprehension. What interest there was in each other was mainly restricted to a handful of academics, artists and diplomats.

In realpolitik and security terms, Japan lay in the US sphere of interest. As Japan began to emerge as a global economic force, Britain's attention, along with that of other western countries, was focused on complaints about Japanese restrictive practices. The standard Japanese view of Britain was that it was interesting mainly as a cultural and industrial museum.

It is very different today. While it would be an exaggeration to claim that the new partnership between Britain and Japan has become a conspicuous force in the world, a sense of mutual goodwill now pervades most forms of exchange between the two countries. This new warmth has not eliminated all the gulfs between the two, but it has begun bridging at least some of them.

The transformation can be directly attributed to the surge of Japanese investment in the UK and the circumstances behind it. From the modest beginnings of a zip fastener factory in Cheshire in 1972, Japanese manufacturers now operate 150 plants in the UK, with a direct employment of about 40,000 and supplier connections amounting to much more.

The City of London now boasts well over 50 Japanese banks and brokerage houses. The Japanese expatriate population in London alone is now variously estimated at between 25-40,000.

The changed environment that allowed the Japanese to put their vast savings to use outside their national borders was always going to make London, the principal European financial centre, a mecca for the Japanese. But the manufacturing presence grew out of a need Japanese manufacturers saw to establish bases inside the European Community.

With France and Italy inhospitable and Germany less generous in its investment incentives, Britain, which had its own reasons for wanting to solicit Japanese investment, sought and was able to capitalise on its comparative advantages.

Japanese industrialists were particularly impressed by Mrs Thatcher's successes against the British trade union movement, which helped allay their concerns about possible labour disruption in the UK.

The net result is that today about 28 per cent of Japanese manufacturers which have set up operations in Europe are based in the UK, according to a recent survey by the Japan External Trade Relations Organisation.

The "Japanese effect" on Britain has not, however, been restricted to the business world. As awareness of Japan has grown in the UK, there has been a growth of interest in the Japanese, their society, and artistic and cultural life.

As the British find themselves coming increasingly into contact with the Japanese, as customers, employers, business partners and neighbours, the polite indifference that had characterised their attitude towards Japan is being replaced by a more involved interest in the country and the people and the role they might play in revitalising British industry.

It is early days yet to assess the effect of all this on the British economy. Japanese exports have had only a marginal effect on the UK trade balance.

The Japanese contribution to a £3.8bn year-on-year improvement in Britain's current account deficit in the three months to May was just 6 per cent, while the effect on the gross domestic product is less than half of one per cent, according to the Nomura Research Institute.

But the presence of the Japanese has had a marked impact on those parts of the UK where the flow of Japanese investment has helped to maintain a higher degree of business confidence in the current recession.

There is also some evidence that Japanese manufacturers are helping to develop skills and raise quality standards both internally and among their component suppliers. In some cases this has involved sending their own staff to assist suppliers or providing financial assistance.

This is not to say that the adjustments that have had to be made on both sides have been easy. While serious conflict has been avoided so far, the seeds of friction do exist. On the British side there is concern that the strength of Japanese industrial presence could lead to cultural dominance as well.

The fear, at the extreme end of the argument, is that the Japanese will use their economic might to impose their own cultural values on the British.

This year's Trade Unions Congress, for example, saw serious divisions over whether to label Japanese demands for a no disruption agreement "alien".

For their part, British suppliers often feel exasperated when confronted with the never-ending demands made on them by Japanese customers ranging from the quality and delivery time of components to cleanliness in the factory. This is matched by considerable Japanese concern about the high level of absenteeism and employee turnover rate, as well as the difficulty of getting UK workers to extend their normal working hours.

After years of hearing about "the English disease," their reaction to the lack of basic skills among UK workers and the low quality standards that are still common in Britain is still one of utter disbelief.

Cultural misunderstandings can raise even greater difficulties in the services businesses. Peat Marwick, the management consultants group, says that personnel matters rank high on a list of the major concerns of Japanese corporations in the UK.

There is a strong concern among Japanese diplomats that Japan's conspicuous presence in the UK could trigger resentment. The logical counter to this is for Japanese companies to see themselves first as British, or European, companies, rather than as a branch of their parent company at home, according to Mr Hideo Matsui, commercial secretary at the Japanese embassy.

This does not only mean allowing UK operations greater authority and providing more opportunities for promotion to UK staff. There is also a continuing need for more technology transfer from Japan and for value-added production to be moved to the UK.

However, there is general satisfaction with the way the British government has lived up to its side of the bargain by asserting the "Europeanness" of those Japanese companies producing in the UK. Both sides, after all, have a very practical need for each other.

The UK government hoped that Japanese investment could reverse a serious fall in manufacturing capacity and help Britain maintain a competitive edge in an integrated Europe.

For the Japanese, the move into the UK was based initially on a need to move production closer to the marketplace after the yen's sharp appreciation in 1985. Visions of a more dynamic European market emerging after 1992, combined with fears of growing European protectionism, further spurred the rush to build production inside the EC.

But the continued enthusiasm of the British authorities, and their willingness to stand up for the interests of Japanese corporations in the UK, as shown by the British stance on the EC debate over UK-manufactured Nissan cars, has played no small part in bringing the lion's share of Japanese investment in Europe to the UK. "The British authorities have always done what they said they would do," says one Japanese businessman in London.

The Anglo-Japanese experiment can only have more than temporary benefits for both countries if the skills, quality standards and management philosophy that helped propel Japan to its present economic status take root in Britain.

It will take a good deal of mutual scrutiny and a willingness to adapt and adopt the best for this to succeed. In this process there can no room either for Japanese cultural imperialism or British paranoia. So far, both have been conspicuous by their absence.

Michiyo Nakamoto

IN THIS SURVEY

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Charles Leadbeater on how the east was won

Patient diplomacy

IT was in February 1982 that the then Mr David Young, a special adviser at the Department of Industry, returned from a tour around Japanese manufacturing plants.

He recalls: "I was astounded by what I saw, particularly the quality of production, with zero defects. That was confirmation of how important it was to get Japanese manufacturing investment into the UK."

The special adviser went on to become Lord Young of Graffham, who was Secretary of State at the Department of Trade and Industry when Nissan decided to double its car assembly capacity in the north east; when Honda secured its relationship with Rover, the former state owned British car maker; and when Toyota announced plans for an assembly plant in Derbyshire.

Lord Young, now executive chairman of Cable & Wireless, the telecommunications group, reflects : "It is only now becoming apparent how significant these investments will be to the balance of payments and the rebuilding of this industrial sector. By the middle of the decade we could have the strongest car industry in the EC. A decade ago we had the weakest."

How much of the wave of Japanese industrial investment in the last decade was due to a deliberate strategy pursued by civil servants and politicians?

Mr Eddie Ripley, director of the Japan desk at the Invest in Britain Bureau which promotes the UK as an investment location, says:

"We do not go out to target particular sectors. The Japanese do not like being pushed. It is much more subtle than that. You have to move more at their pace and encourage them in your direction."

October 1988: Britain's first Bluebird is hatched

The attraction of inward investment has been due to two different sets of factors.

First, in the 1980s the general environment for Japanese investment in the UK improved markedly. Since the settlement of disputes about access to Japanese markets in the early 1980s, Anglo-Japanese relations have enjoyed a rosy stability.

The UK government was the most open within the EC to inward investment. With Mrs Thatcher in power Japanese companies were assured a warm welcome they could not rely on getting elsewhere in Europe.

There were also a number of cultural factors which Japanese companies mention – both Britain and Japan are islands with constitutional monarchies – as well as the *English language.*

The UK with relatively low labour costs and tougher trade union legislation in the 1980s was seen as a cost efficient base to launch into the growing European market.

It was this combination of economic, political and cultural factors which explains much of Britain's attractiveness to Japanese industrialists.

However, development agencies, local councils and the government itself have all become much more adept at exploiting this favourable environment.

This is the second set of factors: the growing professionalism of efforts to attract foreign investment. It has often been at a micro-level at councils and development agencies that detailed strategies have been worked out to attract investment. All the regional development organisations now have representatives in Tokyo.

Many of the most depressed areas to which Japanese investment has been attracted have Labour councils, which have become far more adept at attracting foreign investors.

These regional development *agencies deal with companies* when they get to the point of examining particular locations for investment. It is then that the competition with alternative sites within the UK or elsewhere in Europe is most intense.

The companies are often passed on to the regional boards by the Invest in Britain Bureau, which was set up in 1976 to coordinate activities promoting the UK as an investment location.

The Bureau's work has become increasingly professional. Mr Ripley, a long serving foreign office official who has worked in Tokyo, is a fluent Japanese speaker and much of the bureau's material is published in Japanese.

The IBB hosts an annual seminar in Tokyo for executives considering investment in Europe at which Japanese companies with plants in Britain recount their experience and government ministers explain policy.

The IBB has also just started running a series of regional seminars in cities such as Osaka and Hiroshima, where local companies which are exporting to Europe are invited to hear about the possible benefits of investing in manufacturing capacity.

These seminars are followed up by two staff at the British Embassy in Japan who work full time on inward investment.

The IBB then sponsors a series of missions to Britain which allow Japanese executives to visit at least five regions, talk to potential suppliers and examine the quality of the infrastructure.

These seminars and missions are not just talking shops. They serve a very practical purpose.

Even a company as large and sophisticated as Toyota came to the UK, via one of the IBB's seminars. In the last five years the seminar and mission programme has cost about £3.5m and companies which have attended the seminars have created about 11,000 jobs in the UK.

Since 1985, 95 Japanese manufacturing companies have invested in the UK; 25 of them came on an IBB corporate mission.

The investment pattern is changing

Now for stage two

THERE is a joke in South Wales that it is better to work for a Japanese company than an English company because at least the Japanese company will not go out of business and disappear.

The main question about Japanese investment is whether it will carry on coming to Britain in the same quantities as the past decade.

What are the main determinants of Japanese industrial investment in the UK and how are they likely to change in the next few years?

Perhaps the most important factor determining the flow of investment out of Japan is the financial strength of Japanese companies. Although the industrial and commercial sector in Japan is in better shape than the financial and property sectors, the tightening of monetary policy since the end of 1989 has significantly worsened financial conditions for the corporate sector.

The cost of capital seems unlikely to fall to the very low levels of the early 1980s and so it is doubtful that the overall level of foreign direct investment by Japanese companies will grow at the rate it did in the last decade. In addition the strength of the yen in the mid 1980s was a factor driving investment overseas as Japan was losing its competitiveness as a manufacturing base. In the last two years the yen has fallen against the ECU, reducing the competitive disadvantage of manufacturing in Japan.

Nevertheless, despite a downturn in Japanese foreign direct investment last year, the UK still managed to claim a higher share of it. The UK last year was the destination of as much Japanese investment as the rest of south east Asia. Will the UK maintain its position as the most favoured Japanese location in Europe ?

A combination of several factors will determine the answer.

● POLITICS. Officials at the British Department of Trade and Industry say that after Mrs Thatcher's resignation there was a flurry of anxious inquiry from Japanese investors.

Not only have DTI officials been able to assure investors that Mr Major is just as keen on foreign investment, but they can also point to a much more pragmatic approach on behalf of the Labour Party.

Labour spokesman show no desire to follow Mrs Edith Cresson, the French prime minister, in her criticism of Japanese companies. They supported the UK government's arguments on behalf of Japanese car makers seeking access to the European market. Many Labour local councils in depressed areas are now used to dealing with Japanese investors.

● COMPETITION. The UK is facing growing competition within Europe as other countries develop more concerted approaches to attract investment.

Officials at the Invest in Britain Bureau which coordinates efforts to attract foreign investors to the UK report that both the French and the Dutch governments, as well as those of the German Lände, have become much more professional in their pitches to Japanese investors. In Ireland, corporation tax has been sharply reduced for foreign investors.

Post-Communist Eastern Europe may become the next theatre for investors

Even more significantly, the opening of eastern Europe creates an alternative, potentially low cost base from which Japanese manufacturers could launch into western markets. As yet Japanese groups have been cautious about investment in eastern Europe given the remaining political uncertainties and the underdeveloped infrastructure for business. However, in the long run eastern Europe could attract investment that might otherwise have gone to the UK.

● 1992. One of the main forces pulling investment to Europe was the fear that the 1992 single European market programme might lead to the erection of trade barriers which would block exports from Japan.

However, with the completion of the single market and the recent signing of an agreement on car exports, Japanese companies might become more confident that they will be able to export to Europe from Japan without facing additional trade barriers, say *DTI officials.*

In addition, the pace of economic integration might affect Japanese calculations about where they should invest within Europe. After a surge of investment in the UK, Japanese companies may decide they should invest more in continental Europe to ensure they do not become over dependent on one country. *DTI officials say there is no evidence as yet of such a switch.*

● MOMENTUM. Will the build up of Japanese investment in the UK create a momentum of its own, which will bring more investment?

There is little sign as yet that Japanese manufacturers are bringing their suppliers with them into the UK. For instance, Japanese steel manufacturers have invested in the US to supplier car *transplants* in North America but they have refrained from investment in Europe. Although Nippon Dhenso, the leading car components maker, has invested in the UK it is yet to develop a significant presence.

However, one sign of a momentum building up behind Japanese investment is the number of companies, such as Matsushita, Nissan, Sony and Hitachi, which have made their second investments in the UK.

As a high proportion of the large Japanese groups already have a presence in the UK, much of the effort to attract new investment will switch to smaller companies with international ambitions, according to Mr Eddie Ripley, head of Japanese activities at the Invest in Britain Bureau.

There are also signs that Japanese companies are gradually adopting more flexible approaches to how they invest in the UK. In the course of the 1980s almost all investments were in greenfield site assembly plants. However, of the last 40 deals, 17 were investments in greenfield sites, 17 were joint-ventures and the remainder were acquisitions.

The Japanese will keep on coming but it will probably be in smaller numbers and through different routes than the past.

Charles Leadbeater

Once upon a time, writes **John Griffiths**, there was a British motor cycle industry . . .

But who recalls BSAs and Velocets?

AT THE UK motorcycle market's peak, in the late 1970s, more than 300,000 motorcycles, scooters and mopeds found buyers each year. In 1991, according to Mr David Hancock, sales manager of Honda UK's motorcycle division, the total will be around 65,000-70,000.

Such precipitous decline has wrought wholesale change to distribution networks and resulted in dealers disappearing in their thousands.

It also cost thousands of manufacturing jobs as the Midlands plants of the British bike manufacturers, with such proud names as BSA, Norton and Velocet, went to the wall. Since Japanese bikes are imported ready for sale, there has been no question of any of these jobs being replaced by local manufacture or sub-assembly of Japanese machines, as has occurred in the motor car or electronics industries.

Despite the contraction of the motorcycle market as a whole, however, one thing has not changed: its domination by the Japanese. In 1979, nearly 90 per cent of sales were accounted for by the four Japanese producers of powered two-wheelers, Honda, Yamaha, Kawasaki and Suzuki.

This year, they will command nearly 90 per cent once again, as they have done almost uninterruptedly since consigning the once world-beating British motorcycle industry to near-oblivion by the early 1970s.

Over this period, there have appeared either new brand names or revived old ones seeking to challenge this Japanese dominance. Among them are Lord Alexander Hesketh's abortive venture of the early 1980s, and the current rebirth of Norton and Triumph by UK business interests convinced that there are veins of lingering patriotism waiting to be tapped.

So far, both are nibbling at the market's fringes, their combined sales measured in dozens, not thousands, although the Triumph venture, in particular, is seen as holding much promise of expansion.

Italian motorcycle makers with such legendary names as Ducati, Gilera and Moto Guzzi are faring little better than the British. Even the two makes which have firmly-established "cult" followings among wealthier buyers, BMW of Germany and Harley-Davidson of the US, between them still only command around one-tenth of the market and appear to have little prospect of securing more.

Mr Hancock, like many of his colleagues in the industry, is resigned to the fact that, barring a transport revolution of unprecedented proportions, there is virtually no prospect of unit sales ever returning to late 1970s levels.

There are a number of reasons for this, not least legislative changes which now prevent new young would-be motorcycle owners riding without passing a test – ending the phenomenon of the "permanent learner".

> Teenagers' parents prefer to buy them a car rather than a high priced motorbike

Linked to this and just as important, according to the Motorcycle Association of Great Britain's Mr David Dixon, is that other attractions, primarily cheap but now reliable used cars, are vying successfully for the cash of young people who in earlier years would have almost automatically become motorcyclists.

Honda's David Hancock agrees: "landmarks of growing up used to be that first you had long trousers then you had your motorbike. Now, as new motorcycle prices have moved up you have the situation that, although we do a basic 125cc machine for £1399, you can wind up spending nearly £4,000 on a sporting 125 such as the NSR when equipment like helmet and riding suit is included.

"You can nearly buy a new small car for that. So when a 16 or 17 year old says he's going to buy a bike, parents often say they'll buy him a car instead".

With the European motorcycle industry demoted to the sidelines, competition between the Japanese producers for dwindling unit sales has become intense. It is easy to understand why, for the decline in powered two-wheeler sales has gone on throughout most of the developed world, to the extent that the Japanese industry is now producing little more than one third of its 10m-plus volumes of the late 1970s.

Honda retains its long-held market leadership of the UK – by a wide margin in the case of mopeds. It claims a 40 per cent share of current moped sales, expected to total 12,000 this year after 18,215 in 1990, representing a decline of around one-third. Yamaha is a distant second, at around 26 per cent, with Suzuki a similarly distant third with 10 per cent and Kawasaki fourth with four per cent.

The full-scale motorcycle sector is a different matter, with Honda and Yamaha virtually neck and neck with 24 per cent each. Kawasaki has become a much fiercer contender, with marginally under 23 per cent.

Suzuki, once a much closer rival to Honda, is now training the market with just over 15 per cent. The sector is faring better than mopeds, with sales currently running some 23 per cent below year-ago levels.

In both 1989 and 1990 sales were around 68,000 units. Honda's David Hancock sees little prospect of any sales upturn before early to mid-1992, stressing that the motorcycle market, apart from its structural problems, has been hit by recession like everyone else.

The only consolation, suggests the Motor Cycle Association of Great Britain's David Dixon, lies in the fact that per-unit value of motorcycle sales has been rising sharply. "Average spending now is about pounds 3,500. The kind of buyer being drawn into the market now is also prepared to spend £500 or so for his leather suit;in fact there is a very strong trend upmarket."

Driving the trend, he suggests, is the "frustration factor" attached to travel now, particularly in the heavily congested South-East. With rail and other public transport services now unreliable and in gathering crisis, and car commuter routes increasingly logjammed, a growing number of executives are returning to the motorcycling they had previously abandoned by their early 20s.

Says Dixon: "we're starting to see the situation whereby people with a company entitlement to a fairly expensive car are opting for something smaller and cheaper – and thus more tax effective – and topping up with a motorcycle."

It is a trend which the Japanese suppliers, and their local agents, are following with the closest attention.

A courier and his "charger": an obvious choice

THE NEW MOTOR CARS

World-beaters at the wheel

THE UK motor industry's prospects are being transformed by the wave of inward investment by Japanese car makers. The moves by Nissan, Toyota and Honda all to locate their first European car plants in the UK should guarantee that UK car output in the second half of the 1990s will exceed 2m cars a year, more than double the level of the first half of the 1980s.

The warm welcome given by the UK Government to the Japanese motor industry has been harshly criticised by some European car producers. To Mr Jacques Calvet, chief executive of France's Peugeot group, the UK is fast becoming a "Japanese aircraft carrier off the coast of Europe," and "Japan's fifth largest island".

The UK Government has been unmoved by such attacks, however, and has emerged as a staunch defender of the Japanese motor industry's interests in the European Community, not least in the years of wrangling over the issue of Japanese car makers' access to the single European market after 1992.

The development of the Japanese vehicle makers in the UK is changing the face of the motor industry in Britain.

The traditional domestic car producers, Rover (which is now 20 per cent owned by Honda), Ford and General Motors (Vauxhall) of the US, and Peugeot-Talbot, the UK subsidiary of Peugeot of France, are in the front line. They are being forced to confront at close range Japanese vehicle production, engineering and development methods which are driving motor industry reforms worldwide.

> The gap between the best and the worst performers is dramatic and growing

The disparities in the performance of the world's leading car makers are enormous. No matter what the yardstick – be it efficiency and productivity in design, development, manufacturing and distribution, or be it the quality and reliability of the finished product – the gap between the best and worst performers is both dramatic and growing.

A provocative study published last year by the Massachusetts Institute of Technology claimed that the Europeans take more than twice as many hours as the Japanese to assemble a car. It takes the Europeans and the Americans almost double the engineering effort to develop a new car compared with the Japanese, and the Japanese will be finished in two-thirds of the time.

The arrival of Nissan, Toyota and Honda – as well as Isuzu in light commercial vehicles through a joint venture with GM – means that existing vehicle producers in the UK face the sternest competitive test, and they do not have the advantage of starting on green-field sites with young work-forces.

The latest example of how the Japanese car makers are changing existing industry practices in the UK has come in Toyota's negotiations with the unions which are competing for a deal at its Burnaston, Derby car plant and the associated engine making plant in Deeside, North Wales. This represents one of the most highly prized single union deals since Nissan started production in Sunderland in north-east England in 1986.

Toyota has proposed an agreement, which some union leaders regard as a no-strike deal. It is proposing:

- a "no disruption" arrangement under which pay and working practices disputes would be resolved by binding arbitration at the Acas conciliation service, if they cannot be resolved by negotiation;
- a standard 39-hour five-day week with ability to roster workers for up to an extra two hours a day and on alternate Saturday mornings if required;
- a delay in pay talks after an initial pay settlement until at least April 1994, which would delay a 37-hour week at Toyota until at least 1995;
- a clause to allow the company to lay off white collar staff without pay on a month's notice. Currently only blue collar workers can be laid off without pay in the rest of the British motor industry.

It now appears certain that by the second half of the 1990s Japanese car makers will account directly for around a third of UK car production of around 2m units a year helped by total planned investments of more than £1.8bn that have already been announced. Under these plans:

- Nissan will build more than 200,000 cars a year at its £700m Sunderland car and engine plant by 1992/93. Output totalled 76,000 last year and is expected to reach 120,000 this year with more than 80 per cent ear-marked for export. Nissan is also investing in research and development facilities in the UK, and is establishing a wholly-owned vehicle distribution operation to control its dealer network.

Production at the Sunderland plant, the first Japanese car assembly operation in Europe, which began in small volumes in 1986, will receive a further boost next year, when Nissan begins output of a second car range at the plant and the full capacity of 220,000 cars a year could be reached in 1993. The workforce is rising to 4,000 by the autumn of 1992.

- Toyota, which starts production in late 1992 is committed to building 100,000 cars a year by late 1995 rising to 200,000 cars a year by 1997/98 at Burnaston, near Derby, but this time-table could well be brought forward. It is investing £840m in car assembly and engine plants.
- Honda is committed to building 100,000 cars a year by 1994 at its £350m Swindon assembly and engine plant. The production will be sold under both Honda and Rover badges. Rover is already producing up to 40,000 Honda Concertos a year at its Longbridge, Birmingham plant.

After more than a decade of increasingly close collaboration with Rover, Honda has also taken a 20 per cent equity stake in the vehicle operations of Rover, which is 80 per cent owned by British Aerospace.

- Isuzu holds a 40 per cent stake in IBC Vehicles, the Luton-based light commercial vehicles joint venture with General Motors of the US. IBC has recently begun production of a range of four wheel drive leisure utility vehicles.

The vehicles, which will be sold as the Opel/Vauxhall Frontera in Europe are based on an Isuzu model sold as the Isuzu Amigo/Rodeo in the US and the Isuzu Mu in Japan. Output, which is planned to total 40,000 a year in 1992, has followed a £96m investment in the project.

IBC also produces two van ranges the Isuzu-designed Vauxhall/Isuzu/GME Midi and the Suzuki-designed Vauxhall/GME Rascal (also sold by Suzuki as the Super Carry). It is aiming to more than double total output at the plant to 70,000 in 1992 (including 40,000 Fronteras).

Nissan has already indicated its ambition to expand to a capacity of 400,000 cars a year by the late 1990s, and both Toyota and Honda are expected to expand significantly beyond their present publicly declared targets.

More car assembly capacity is under construction in the UK than anywhere else in Europe, and as the Japanese car makers march in, component suppliers who have previously shunned manufacturing in the UK are following in their wake, including leading Japanese component makers.

The increasing attraction of the UK for foreign automotive components makers has been clearly illustrated in moves such as those by Bosch of Germany, the leading European auto components maker, to invest £100m in its first UK component plant.

Kevin Done

Chris Tighe talks to two key men at Komatsu

Best of both worlds

THE AUTOCRATIC nature of traditional British management, the suspicion that workmen are inherently lazy, the conviction that meetings are a waste of time; these are some of the attitudes which Dr Clive Morton, Komatsu UK's director of personnel and administration, is trying to challenge.

Before becoming Komatsu's first employee at its European excavator plant at Birtley, Tyne and Wear, in late 1985 Dr Morton, a civil engineer, had spent 22 years in British industry.

He worked his way up and became director of resources and administration at both Wimpey Offshore and Wimpey Engineering.

But he saw Komatsu as the opportunity for a management style he had been unable to implement before. "I've always wanted to see a situation where we used people properly, overcame the 'them and us' barriers and recognised the dignity of the individual and work."

The result is a company which is trying to fuse the best of British and Japanese philosophies; a hybrid which expects team working from all its 400 employees – including the managers.

Komatsu, set up in the plant which its American competitor, Caterpillar, closed down in 1983 with 1,000 job losses, has many of the features – flexible working, a single union agreement, insistence on total quality control – common in Japanese UK plants. But Dr Morton is unusually candid in admitting the burden which genuine teamwork, as opposed to sham consultation, has placed on senior managers.

"You have to end up being big enough to recognise that other people have ideas and you must take other people with you." And he admits; "People from this company do suffer because we're trying to learn from the Japanese but we operate in British ways."

Dr Morton believes the greater independence of mind of the British can give them an edge over their Japanese counterparts, but combining individualism with teamwork can be difficult: British people, for example, tend to see ideas as "theirs".

And the Japanese, he says, have meetings with no agenda and no firm conclusion, attended by employees apparently unrelated to the subjects discussed; the meetings' function is to spread information and develop a drift towards consensus. British Komatsu employees have found this way of working uncomfortable, so broad-based working parties and project teams have been set up to overcome departmental barriers.

The Birtley plant's four-man board of directors, which includes Dr Morton, is 50-50 British and Japanese. The Japanese too, he says, have had to adapt. "They've had to recognise they have to deal with people issues on a face-to-face basis." This is difficult for them, he says; they prefer implicit communication. The British, in contrast, like things spelled out; indeed, they want the manager to go through the pain of doing so.

Working hours are comparable with British companies, says Dr Morton, though he himself shoulders an awesome number of additional business community commitments; as well as being deputy chairman of Tyneside TEC and a visiting lecturer at Durham University Business School he is a key member of numerous organisations and tirelessly promotes the causes of Total Quality and commitment to training.

Komatsu's workforce are currently on a 38.5 hour week.

Morton (left) and Kilkenny: team-working can be a burden

The company had promised a reduction to 37 hours but, in view of the recession, the employee advisory council agreed it should be shelved for now and reviewed next year.

About 10 per cent of shop-floor employees previously worked for Caterpillar in the same plant; they include 28-year-old Mr David Kilkenny. A plater, he is now a team leader, responsible for 10 men.

At Komatsu the men work much more as a team than at Caterpillar, he says, giving them more varied work and a much greater feeling of being part of the company. The shop-floor is more automated and it works more efficiently and harder, he says, but there is a happier atmosphere and the best management-employee relations he has experienced in his 12 years in industry.

Even so, he doubts the "them and us" perception can be eradicated and questions whether job satisfaction and heavy industry can be bedfellows. "It's hard work, you're looking out for dangers all the time, you have to be on the ball all the time."

Like many production staff, he is dubious about the daily exercises which Komatsu, alone among Japanese companies in the north-east, runs in the workplace. But he willingly participates in a quality circle, run by one of the men in his team. And he respects the fabrication manager's knowledge and his regular contact with the 130 men in his section; at Caterpillar Mr Kilkenny never even met his departmental manager.

Komatsu, he says approvingly, is much more safety conscious. And he was deeply impressed when the company paid a workmate, who broke a leg playing rugby, in full for the eight months he was off work.

It came, then, as a shock to Mr Kilkenny when last month Komatsu announced a cut of 30 jobs at Birtley due to the recession. "I probably was being a little light-headed in thinking it couldn't happen to a Japanese firm," he says.

But he is still glad, in a difficult economic climate, to be working for a Japanese company. "I think Komatsu will work harder to try to save jobs than a British or American firm."

Paul Cheeseright on the Toyota effect

The fall-out is fruitful

THE spaceship has landed, said Mrs Edwina Currie, the loquacious MP for South Derbyshire. She was not talking about an extra-terrestrial being but, at a recent conference of the Anglo-Japanese Institute, of Toyota, the car manufacturer, setting up next door.

"I look out of my kitchen window and see the sun reflect off a remarkable silver covering, reinforcing in my heart the feeling about Toyota that what we have got here is something very different, very new, very big that has appeared out of the blue and landed in our society," she said.

There is a degree of poetic licence here. The phenomenon is not new; after all, Sony has been operating in Wales since 1974 and Toyota is but one of three Japanese car assembly plants either operating or planned in the UK. Nor did it appear out of the blue. Derbyshire County Council fought hard to attract it.

There are two points about this. First, the regions see Japanese investment as a means of stimulating more economic growth and inward investment bureaux compete to obtain it. Second, the minute Toyota "landed in our society" it set off what locals rapidly termed the Toyota effect.

When, in summer 1990, the East Midlands was beginning to feel the pinch of recession, a survey by Nottingham Business School and Price Waterhouse, consultants, reported that "business performance across the region was fairly uniform with the exception of Derbyshire where profits and sales held up better. This may be due to the impact of the Toyota development on the local economy." At the same time business confidence was higher in Derbyshire than in the rest of the region.

The significance of the Toyota effect has a wider application. A continuing stream of inward investment has delayed the impact of recession in some areas. Telford, for example. "We still have companies establishing themselves here," noted Mr Robert Ruslove, chief executive of the Shropshire Chamber of Industry and Commerce, contrasting the town with Smethwick in inner Birmingham, "where new companies are not so numerous".

Unemployment in Shropshire is slightly under the national average at 7.6 per cent, but in the West Midlands – the Birmingham-Black Country conurbation – it is 3.6 percentage points above the national average at 11.3 per cent.

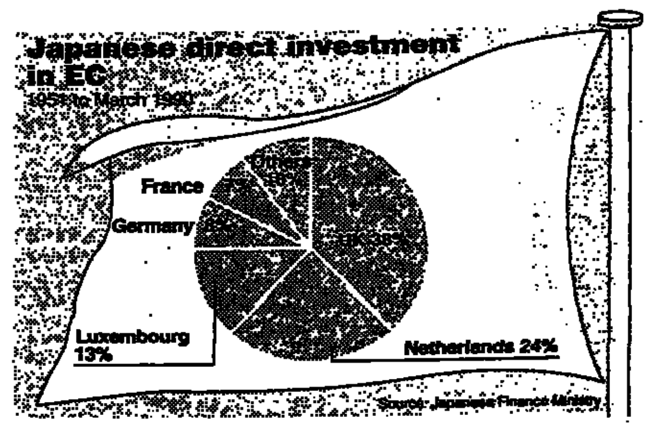
There is a case, then, for arguing that Japanese companies have partially shielded certain regions from the full *effects of recession. That case* is strengthened by the fact that frequently Japanese investment tends to be in geographical pockets.

In the area surrounding Newcastle, 25 Japanese companies have established operations in recent years, either on greenfield sites like Nissan, through acquisition like Sumitomo Rubber's purchase of Dunlop tyre factories, or through joint ventures like Ikeda Hoover. In Milton Keynes, there are 37 Japanese companies, with an especially strong representation from electronics manufacturers. In Telford, there are 21 Japanese companies, the biggest recent arrival being Nippondenso. In Wales, there are 43, including Panasonic, Aiwa and Brother.

What these locations have in common is availability of land, the presence of a vigorous inward investment bureau and, in the case of the new towns – Milton Keynes, Telford, Washington and Peterlee – the ability to smooth a commercial transition to British soil with subsidies and allowances.

Because there was a surge of Japanese investment in the second half of the 1980s, the momentum of economic growth this engendered was still running at the time recession crept over the British economy. But this is not likely to be more than a temporary phenomenon. A survey by the Research Institute of Overseas Investment at the Export-Import Bank of Japan indicated that direct overseas investment came to a standstill in 1990-91 and is likely to remain at a low ebb until 1993. It also showed that the UK, hitherto the favoured European Community destination for Japanese companies, is likely to be caught up by Germany.

The implication of the survey is that if Japanese investment helped to shield some British regions from the recession, it is not likely to propel them out of it. Rather the economic benefits will be longer term and come from influence and pressure, not cash.



The willingness of Japanese companies to spend time and money on training has long been an example to cash-strapped British companies. But the high standards which are the concomitant of this approach are filtering through into local British industry.

There seems little doubt too that Japanese companies want to be part of the communities to which they have been transplanted. Mrs Currie had four suggestions on how they might gain acceptance. First, "talk, be open, be candid"; second, "be honest and honourable" - if plans are being changed, explain why; third, "be Japanese"; fourth, "share the prosperity" and "create share ownership schemes".

Charles Leadbeater reviews 20 years of investment which have changed the UK's industrial map

It all started with a zip fasteners factory

THE WHITEHORSE Industrial Estate in Runcorn, Cheshire is an unlikely place to launch a mini-revolution within British industry. But it was there in April 1972 that YKK Fasteners, the zip manufacturer, established its UK plant, with 250 employees.

It was the first wholly owned Japanese manufacturing plant in the UK, according to figures compiled by the Invest in Britain Bureau, a division of the Department of Trade and Industry which is responsible for coordinated efforts to attract inward investment.

Through the following eight years after YKK established its plant there were a trickle of other investments by Japanese manufacturers. Sony arrived in May 1973, with a plant in Bridgend, South Wales, which employs 2,400, closely followed by Matsushita. In 1976 NSK Bearings, the ball bearings maker was the first Japanese manufacturer to establish a

At first, Japanese investors in Western Europe preferred to go to places such as Düsseldorf

presence in the north-east, an area now associated with the Nissan car plant.

In the eight years to 1980 there were about 17 investment projects by Japanese manufacturers. It was not until the 1980s that inward investment from Japan really took off. The IBB has a list of more than 145 manufacturing investments made in the 1980s, with more than 30 research and development centres.

Japanese investment has attracted considerable attention and provoked widespread debate initially because of the changes to working practices and plant management Japanese companies brought with them. Quality circles, single status canteens and car parks and flexible working practices, were the most tangible and controversial practices the Japanese brought with them.

Partly as a result of their greater efficiency Japanese companies have also started to bring far reaching changes in the structure of British industry. Some traditional British industry sectors such as ball bearings are now largely foreign dominated, mainly by the Japanese. The British electronics industry, outside defence electronics, has been rebuilt by foreign investment, much of its from the likes of Sony, Matsushita, Hitachi and Fujitsu. Europe's car makers are increasingly apprehensive about the competitive threat posed by Japanese car plants in the UK, which are setting new standards of efficiency and quality for the industry.

Does Japanese investment merit the attention it has attracted? How significant is it compared with inward investment from other countries such as the US and Germany? How significant is the UK as a destination for investment compared with other economies?

Japanese investment in the UK needs to be set within a European context. In the fiscal year 1990-91 Japan invested \$14.3bn in Europe, 25 per cent of all Japanese foreign direct investment worldwide. Japanese investment in Europe between 1951 and 1990 reached \$59.2bn, about 19 per cent of the total, according to figures published by Japan's Ministry of Finance.

Much of the early Japanese investment in Europe went into areas such as Düsseldorf where electronics companies established their sales offices. Considering that in the early years of Japanese investment overseas the UK lagged behind, its overall share of Japanese investment in Europe between 1951 and 1990 is impressive.

The Ministry of Finance figures show that the UK's cumulative share of investment projects within the European Community is 32 per cent. The UK has also managed to attract the larger investments. Its share of the value of Japanese investment in the EC between 1951 and 1990 is 41 per cent.

The UK has attracted 2,134 investment projects worth \$22.6bn, compared with 1,187 projects in Germany worth \$4.7bn and 1,328 in France, worth \$4.1bn.

As a European base the UK has become as important to Japanese as to American companies

The UK is now as important to Japan as a base in the EC as it is to US companies. The UK also accounts for 41 per cent of US direct investment in the EC, according to the IBB.

However, despite the surge in Japanese investment in the 1980s, it still does not match the weight of US investment. It is easy to forget that the UK has long been one of the most internationalised and cosmopolitan economies. Foreign companies which have invested in British manufacturing already provide 13 per cent of manufacturing employment, 19 per cent of net manufacturing output and 21 per cent of capital expenditure.

Even in 1990 the IBB reported 120 investment projects by US companies and 63 by German groups, compared with 37 from Japan and 25 from France.

The Japanese investors have tended to locate their plants in particular areas. They are not just investing in the UK but specific regions within the UK.

As the the map shows YKK's early investment in Runcorn failed to attract other Japanese manufacturers around it, as did Toshiba's in Plymouth. However, there are some other distinct clusters developing: electronics in South Wales; car manufacturing and engineering in the north east around Komatsu and Nissan; electronic component makers in Scotland and office equipment makers such as Ricoh and NEC around Telford in Shropshire and North Wales.

The sectors of investment in the UK largely mirror trends within Europe as a whole. Ministry of Finance figures for 1990 show the main sectors of investment have been electrical and electronic machinery, followed by car assembly and other transport machinery and general machinery.

But Japanese industry has not invested in the UK across the board. Apart from a few small joint-ventures there are some significant areas of Japanese industrial strength, traditional industries such as steel and shipbuilding, where Japanese groups have held back from investment.

The big issue now is whether the capital flow has ended or whether it will go on for another 20 years

Flows of inward investment are one way to measure the competitiveness of a country as a location for industry. Judged on these criteria Britain became much more competitive in the 1980s.

Japanese investment has revitalised some areas of British industry such as vehicle manufacturing and created a presence in other areas such as consumer electronics where indigenous manufacturers were weak.

It has also helped to strengthen some regional economies which have suffered from the decline of traditional industries such as coal, steel and shipbuilding.

However there are many industrial sectors and areas of the country which have been relatively untouched by Japanese investment. Perhaps the most important question about Japanese investment is still to be answered:

Will the surge in investment in the 1980s prove to be short-lived as Japanese companies spread their activities elsewhere; or will it provide the basis for a lasting and deeper relationship, an international industrial alliance which could still be changing the shape of industry in Britain in 20 years time?

Japanese companies manufacturing in the UK

With 200 or more employees

Scotland

Company	Location	Employees
Mitsubishi Electric (UK)	Haddington, Livingston	1,638*
NEC Semiconductors Europe	Livingston	673
OKI Electric	Cumbernauld	551
JVC Manufacturing	Glasgow	414
Tamura Hinchley	Cumbernauld	300
Daiwa Sports	Wishaw	230
Alps Electric	Arbroath	224

* 4 plants

Northern Ireland

Company	Location	Employees
AVX	Coleraine & Larne	1,600*
European Components Corp	Dundonald	950

* 3 plants (one in Paignton, Devon)

North West

Company	Location	Employees
Kratos Analytical	Manchester	300
Toray Textiles Europe	Hyde	250
YKK Fasteners (UK)	Runcorn	250
Yokogawa Electrofact BV	Runcorn	200

Wales

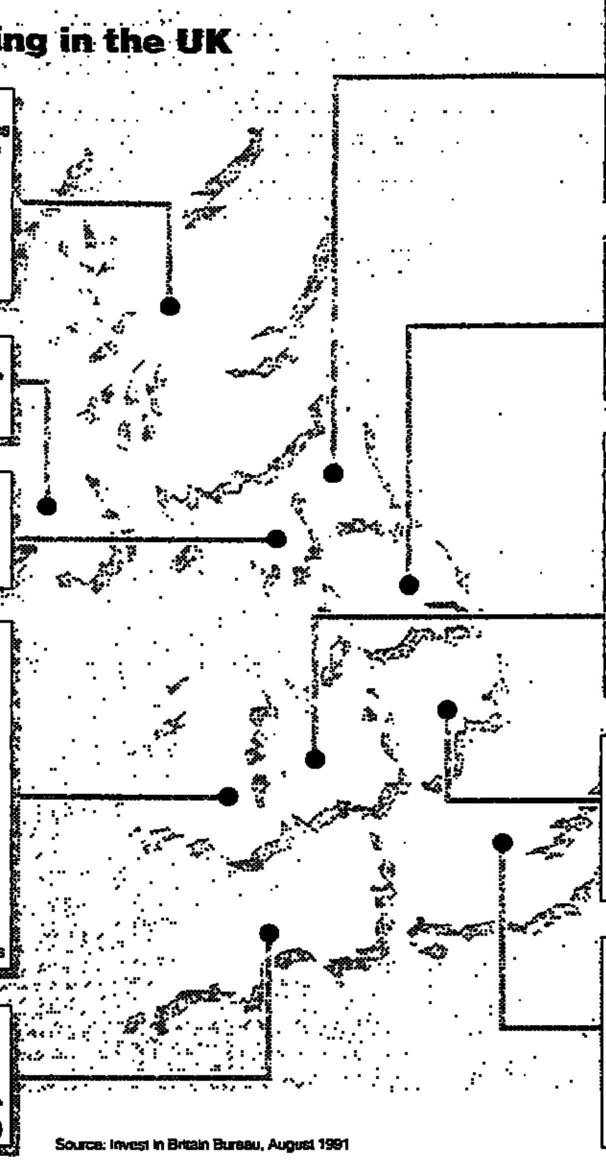
Company	Location	Employees
Sony(UK)	Bridgend	2,400
Matsushita Electric (UK)	Cardiff	1,475
Sharp Manufacturing	Wrexham	1,300
Brother Industries (UK)	Port Talbot	1,057*
Calsonic International	Llanelli	1,000
Hitachi Consumer Products (UK)	Aberdare	850
Orion Electric (UK)	Wrexham	800*
Aiwa (UK)	Newport	520
Gooding Sanken	Cynon Valley	500
Yuasa Battery (UK)	Ebbw Vale	485
Kyushu Matsushita Electric	Newport	400
Brother Industries (UK)	Ruabon	357
Star Micronics Manufacturing (UK)	Tredegar	304
Toyota (UK)	Deeside Ind. Park (Clwyd)	200
Tsuda (UK)	Ruabon	200

* 2 plants

South West

Company	Location	Employees
Toshiba Products (UK)	Plymouth	989
Honda of the UK Manufacturing	Swindon	520
Toshiba Corporation	Plymouth	220
AVX	Paignton	1,600*

* 3 plants (Coleraine & Larne, Northern Ireland)



North East

Company	Location	Employees
Nissan Motor Manufacturing	Sunderland	1,600*
NSK Bearings Europe	Peterlee	921*
Tabuchi Electric UK	Thornaby-on-Tees	550
Ikeda Hoover Trim Manufacturing	Sunderland	500
SP Tyres (UK)	Washington	500
Komatsu UK	Chester-le-Street	480
Sanyo Electric	Newton Aycliffe & Thornaby	328*
Nissan Yamato Engineering	Sunderland	310

* 2 plants

Yorkshire & Humberside

Company	Location	Employees
ND Marston	Shipley	900
Birkbys Plastics	Liversedge	680
Pioneer Electronic Corp	Wakefield	500*
Koyo Seiko	Barnsley	400**
Citizen Manufacturing (UK)	Scunthorpe	250

* Within 3 years, ** After 3 years

West Midlands

Company	Location	Employees
NEC Technologies UK	Telford (2 plants)	1,900*
SP Tyres (UK)	Birmingham	1,700
Epson Telford	Telford (2 plants)	1,000
Lucas Yuasa Batteries	Birmingham	650
Fulcrum Communications	Birmingham	620
Nippondenson UK	Telford	438
Maxwell (UK)	Telford	400
BKL Fittings	Redditch	283
Apricot Computers	Birmingham	250
Yamazaki Machinery (UK)	Worcester	220
Ricoh UK Products	Telford	200

* by 1992

East Midlands

Company	Location	Employees
Toyota Motor Corp	Burnaston	700
Toray Industries	Mansfield	400
Nippon Seiko KK (NSK)	Newark	250
Rose Bearings	Lincoln & Skegness	210*
Phoenix Electric	Coalville	200

* 2 plants

South East

Company	Location	Employees
Alps Electric (UK)	Milton Keynes	700
Sanyo Industries (UK)	Lowestoft	600
Aquascutum	London	438
Sony Broadcast Communications	Basingstoke	450
Hosiden Besson	Hove	400
Keymed (Medical & Ind. Equip.)	Southend-on-Sea	400
Pan Britannica Industries	Waltham Cross	400
Funai Amstrad	Shoeburyness	280
Goldwell (Hair Cosmetics)	Eastbourne	220

Source: Invest in Britain Bureau, August 1991

ECONOMIC IMPACT

Shot in the arm for UK trade

THOUGH it may not yet have had the sort of impact on Britain's external trading prowess which some observers have suggested, the Japanese presence in the UK appears poised to become an increasingly important factor in the country's economic performance.

The recent narrowing in Britain's trade deficit has given rise to renewed speculation that the large, inward wave of investment into the UK on the part of Japanese business is slowly helping to tip the trading balance back into the black.

But according to Mr Chris Dillow at the Nomura Research Institute:"The belief that Japanese investment is already having an appreciable effect in narrowing the trade deficit is mistaken. However, this does not mean that it will not have a large impact on the trade balance in the coming years. But it will be seen over five or 10 years, not in the immediate future".

Mr Dillow's remarks support the theory that the most recent

Recent trends owe more to cyclical factors than to Japan's impact on output

balance of trade picture has been more influenced by the usual cyclical factors than by any structural changes involving the Japanese contribution to UK output.

There are those who, in any case, believe that direct investment into the UK by foreign countries may have no identifiable or lasting effect on the host country's bilateral trade balance.

The argument is that, in the long run, a country's external balance is not determined by investment or trade restrictions in particular sectors but by macro-economic factors such as a country's propensity to consume more than it saves.

Perhaps the truth lies somewhere in the middle, so that while the contribution of the Japanese to overcoming any indigenous weakness in Britain's trading performance should not be dismissed, neither must it be exaggerated.

For example, the well-publicised increase in Japanese car production in the UK accounted for less than one-fifth of the £800m improvement in the trade deficit in UK vehicles during 1990 and less than one-twentieth of the upturn in the overall trade balance. According to Nomura, however, there is no question that Japanese investment in the UK will continue to rise, that the resulting activity will displace imports from Japan, that UK exports will also rise and that the trade deficit will, consequently, improve.

But there has been some scaling down of earlier, optimistic forecasts about the likely extent of Japanese inward investment, not least because of the relative fall in the value of the yen, which has reduced the competitive disadvantage of producing in Japan instead of at overseas bases.

Recent developments in Japan have also conspired to reduce growth in foreign investment, particularly the tightening of Japanese monetary policy which has affected the health of the domestic corporate sector. Even so, there are some counter-balancing arguments which suggest that the UK will continue to attract a sizeable proportion of any new investment made to improve Japanese penetration in European markets.

Nomura, nevertheless, has now trimmed back its forecast of the level of annual Japanese investment into the UK. Whereas two years ago it suggested that total investment could average as much as £6.5bn annually for the next 20 years, it now acknowledges that the figure might have been overly-optimistic.

So what sort of impact will the Japanese have on Britain's trading performance? Nomura, one of the few research bodies which has investigated the issue, calculates that the gross output, at current prices, of Japanese companies in the UK could top £20bn next year.

The export share of this figure is likely to be very high because UK industry is effectively immune to the challenge of Japanese investment. This is not because of any inherent efficiency in Britain's own manufacturing activities but because the inward investment is targetted at industries in which the UK has a limited presence, such as consumer electrical goods.

Conversely, the import content of Japanese production based in the UK is unlikely to be much more than half.

The result, Nomura believes, is that by 1995 Japanese investment within the UK could add up to £4bn to the country's trade balance. The current account impact would, however, be smaller, to the extent that the profits of this investment would be repatriated.

At the same time, around 3 per cent could be added to the country's gross domestic product. Nomura suggests that, as a result, an additional 600,000 jobs could be created, only one-third of which would be directly employed by Japanese companies.

The forecasts are based on the assumption that the cost structures of Japanese companies in the UK reflect a continuing preponderance of so-called "screwdriver plants", primarily devoted to assembly. Their presence has been a continuing source of criticism, along the lines that such activities are inferior to other forms of manufacturing activity.

The Japanese have specifically been accused of sustaining low rates of pay - in 1987 the average pay of manual workers in Japanese-owned manufacturing plants was 10 per cent down on the national average. The alternative argument is that jobs at lower than average pay rates are better than none.

Detractors also complain that the incursion of Japanese assembly activity offers no transfer of technological skills and can destroy UK know-how by driving indigenous companies out of business. The criticism again overlooks the fact that investment is directed into areas where the British

Britain would be foolish to think it can rely solely on Japanese help

are not well represented.

Despite the reservations and criticisms, it seems likely that while future UK exports will grow roughly in line with world trade, imports will expand faster than domestic demand. The end result is, therefore, expected to be a widening of the trade deficit.

Nomura believes that, in the years ahead, Japanese direct investment will have an important role in narrowing the trade gap, although Britain would be foolish to imagine that it can rely solely on Japan to eliminate the current account deficit or finance it.

According to Mr Dillow: "This is not to deny that direct investment is a benefit, merely a reminder that a benefit is not a panacea. Unless UK industry learns from the Japanese and improves its competitiveness, the trade balance will remain a major constraint on growth."

Michael Cassell

Europeans fear an 'invasion' from Britain, writes **Andrew Hill**

Cars like Trojan Horses

THE European Commission's statement on Japanese car imports – issued at the end of July after months of wrangling in Brussels, Tokyo and within the EC – had all the hallmarks of a sensitive issue, carefully fudged.

Its details were vague and its deadlines long (a fully open market for Japanese cars from the year 2000). But even within this flexible framework the two sides baulked at any reference to the most delicate aspect of the whole deal – and the one on which the UK government had lobbied Brussels most heavily – whether so-called "transplants" (cars bearing a Japanese marque but produced in the EC) should be included in self-regulated restrictions on production up to the end of the century.

As it happens, the Commission believes that an unofficial "assumption" that output of such vehicles will rise to 1.2m by the end of the century will easily allow enough room for Japanese manufacturers to expand in the EC without upsetting the most sensitive EC car-makers in France and Italy. But those manufacturers – and, to an extent, their governments – are still not convinced, as Sir Leon Brittan, the British competition commissioner put it in July, that "cars produced in Europe, by European workers, are European".

The sheer volume of noise generated by EC manufacturers about transplants is proof that Community member states' suspicions about the nature of Japanese direct investment in the EC are still alive. Inevitably those suspicions tend to centre on the UK, which accounts for one third of such investment, including the large bulk of EC-based Japanese car production.

Mr James Moorhouse, a British Conservative MEP, is preparing a report for the European Parliament on trade and economic relations between the EC and Japan. "A number of MEPs have said to me over the years, rather ruefully, that we [the UK] have done rather well in investment over the years," he says. But anxiety in some member states is not merely a symptom of irritation at Britain's large slice of Japanese direct investment.

According to a draft of Mr Moorhouse's report, Japanese investment in the EC totalled \$42bn in 1989, of which nearly 80 per cent was in the non-manufacturing sector. By contrast, EC investment in Japan was a mere \$2.4bn. "There's intense concern about Japanese activity within the Community and about our inability to get into the Japanese market in a meaningful way," says Mr Moorhouse.

That concern has a number of manifestations. On the positive side, it includes tough speeches by EC commissioners in Tokyo and elsewhere urging the Japanese to open their

Nissan's Tyneside plant: eyeing the Continent

markets. But commercial opponents of Japanese direct investment are also inclined to criticise Britain for providing a platform for Japanese attacks on the European market, and, on occasion, to take revenge on Japanese-controlled businesses based in the EC.

For example, when 80 per cent of the UK group ICL was bought by Fujitsu of Japan earlier this year its partners in the large European semi-conductor research programme, Jessi, decided to expel the computer manufacturer from three of the five projects in which it was participating.

The European Commission – despite being one partner in the umbrella research programme which covers Jessi – has little or no sanction against such action, but it has always been conscious of the delicate balance between welcoming non-EC investment in the Community and protecting EC industry.

In particular, the Commission is still sensitive to attempts by Japan and others to establish so-called "screwdriver" plants in the EC to assemble predominantly Japanese products, which can then be dumped on to the Community market.

Brussels' most fearsome weapon in an arsenal of anti-dumping artillery was removed last year, or at any rate disabled. In March 1990, following a complaint from Japan, the Gatt panel outlawed EC rules which allowed dumping duties to be imposed on EC-assembled products which did not have a certain proportion of locally-made components. Brussels has not amended the rules, but neither has it activated them since the Gatt decision.

But observers of EC trade policy, including Japanese officials in Brussels, do not believe that it has become easier to invest in the EC as a result of last year's ruling, and the debate over screwdriver plants is still bubbling under the surface.

Mr Walter Oberreit, who has worked in Brussels for law firm Cleary, Gottlieb, Steen & Hamilton for many years, says: "They're certainly not going to give up easily on assembly operations that they feel are not substantial enough."

But he also argues that many "mere assembly operations" can be substantial businesses.

"I've seen quite a few, including plants in the UK, where there is a real question of whether they would pass most of the screwdriver rules, but where there are also hundreds of employees performing real functions."

Mr Oberreit points out that, in general, anti-dumping policy – duties on underpriced imports – tends to encourage rather than discourage direct investment in the Community by non-EC companies. Commission officials maintain that the real reason for duties is to prevent "injury" to EC producers, not to provide an incentive for investment, and certainly not to disable Japanese manufacturers.

Criticised on those grounds, one of the Commission's senior anti-dumping officials tends to produce a dog-eared copy of the *Financial Times* from April 1988, which contained a memorable series of six full-page advertisements by Epson, the Japanese manufacturer of computer printers which earlier that year had announced its first UK factory.

The picture showed a Japanese geisha gradually metamorphosing into Margaret Thatcher; the text was a strident warning about Commission plans to impose a dumping duty on Japanese dot matrix printers. If implemented, the adverts claimed, such duties would lead among other things to an increase in unemployment and a reduction in investment in the UK.

Duties were duly imposed on printers made by 15 Japanese companies – it was one of the biggest anti-dumping actions then undertaken by the Commission –- but, the dumping official claims triumphantly, Epson's dire warnings were never fulfilled.

Fumio Miyama, owner and chief chef of one of London's 70 Japanese restaurants

Tim Burt finds why Japanese food is different

A frisky little turbot

LIVE turbot is menacing on a plate. Nashing and flapping, its teeth are razor sharp and its tail can scatter your chopsticks with a single swipe. But just as the fish seems ready to escape, a Japanese waiter carries it off to the kitchen.

After a severe blow to the head, the stunned turbot is returned to your table. Its tail usually flaps for a few minutes but that should not interfere with the stomach, your starter, which is splayed open and cut into bite-sized slices.

This dish – sashimi – is all the rage in Japan. But caterers in London say the ordeal is too much for western customers and few restaurants serve it in its freshest form – straight from the fish tank.

There are no fish flapping around the largest Japanese kitchen in Europe. Strict hygiene laws mean International Catering (ICL), a wholly-owned subsidiary of Japan Airlines, cannot serve raw fish or sashimi to its customers.

Sited in a former engineering plant on the fringes of Heathrow Airport, ICL relies instead on ingredients flown in regularly from Tokyo and can boast no less than 18 menus for passengers requiring a specialised diet.

The company employs nine Japanese chefs who prepare up to 2,500 meals a week for aircraft flying to the Orient. But unlike restaurants, it has a captive market – ICL customers tend to be strapped into their seats. You cannot storm out of a Jumbo jet if you dislike the food.

Mr Stephen Smith, the company's general manager, claims there are no concessions on quality. "We produce Japanese food which is traditional," he says, "and we have head-hunted the top chef from Suntory, one of the best restaurants in London."

Not all airline passengers want to be sustained by a menu of fish and noodles. So ICL offers its carriers – including Virgin – western alternatives. There is no such choice at restaurants on the ground.

Steak and chips is not an option at any of London's 70 Japanese restaurants, which may be one reason why ICL is expanding rapidly while chefs in the City have seen orders drop by an average of 30 per cent in the past year.

There is a recession in business lunches – the mainstay of the Japanese restaurant trade – and many caterers are feeling the pinch. Mr Takashi Ohsumi, manager of the Yumi restaurant in London's West End, says fewer businessmen are eating Japanese. "This year has been difficult because of the Gulf War and banking scandals in Japan. If anything goes wrong in a Japanese company, the entertainment expenditure is cut first. It has hit our business."

Mr Ohsumi says the turnover at London's Japanese restaurants, which he estimates at £28m a year, is likely to decline in 1991. His pessimism is shared by Mr Fumio Miyama, owner and chef of two restaurants. Speaking in the kitchen of City Miyama, his outlet close to St Paul's Cathedral, Mr Miyama says: "Businessmen are not spending as they used to. We hope it will get better next year."

The trade's reliance on Japanese business customers is one of its main weaknesses, according to Mr Tom Jaine, editor of the Consumers Association's *Good Food Guide*.

"Where Japanese investment goes, so the restaurants follow," says Mr Jaine. You can, for example, find Japanese delicacies at several places in the City. Fumi, a café in Gateshead, meets demand in north-east England from companies such as Nissan and Komatsu. And Japanese cuisine will be on offer soon in Derby, close to the new Toyota plant at Burnaston.

Mr Jaine, however, thinks Japanese restaurants outside London may not survive the recession. "Things like raw fish don't go down well outside the City," he says. An expensive reputation is another handicap which deters passing trade. And some critics say the cooking is dreary.

"The food is not very highly flavoured," says Mr Jaine. "It's a much blander cuisine than Chinese. The menus are also impossible and irritating, and it does not lend itself to home cooking." Many dishes appear more exotic on paper than on your plate. Iwashi no tsumire jiru, for example, sounds like something to sustain a Sumo wrestler. In reality it consists of clear soup with sardine balls. The bean curd used to enliven soup has the consistency of putty.

Some recipes are so plain that chefs rely on tear-jerking sauces to spice them up. Fresh sea urchin or salmon roe, for example, is sometimes disguised with a shocking horseradish paste called wasabi which makes you cry if you're not expecting it. Rare ingredients may be popular in Tokyo but Mr Mario Wyn-Jones, of *Egon Ronay Guides*, finds Japanese cooking "rather dull".

The criticism is rejected by restaurant managers such as Mr Ohsumi, who claims oriental cuisine is gaining popularity as a healthy alternative to traditional cooking. He expects London to have more than 100 Japanese restaurants within a few years. "It is becoming more popular but only slowly – the English have very conservative tastes."

At ICL, meanwhile, Mr Smith is offering a new service which could make Japanese food more popular – party catering. "Cold sushi can make all the difference at a party," according to Mr Smith. But he admits it will be some time before dishes such as chrysanthemum turnips or turbot sashimi catch on.

"Like everything else from Japan, it's restricted by high cost," he warns. That's good news for turbots.

Michael Cassell charts trends in takeovers

The lure of the open share market

THOUGH some of the steam may have temporarily gone out of Japan's enthusiasm for acquiring overseas commercial interests, the UK remains easily the most favoured European location in which the Japanese invest.

Despite the first fall for eight years in total, direct investment overseas – brought about by a slowdown in Japan's economic growth and a rise in interest rates – the roll-call of British businesses attracting Japanese investors has continued to lengthen.

With one eye on the completion of the single market at the end of 1992 and the additional lure of expanding markets in eastern Europe, the Japanese have remained busy in the UK.

Inevitably, the acquisition of household names in the UK has attracted most attention. Interest has been further heightened when the businesses involved have been traditionally regarded as peculiarly British – such as Aquascutum or Daks-Simpson.

Now, Japanese-owned golf courses are sprouting around the country, a symbol of the

They showed more confidence than UK buyers

broadening interest which the Japanese investment community is taking in the UK.

In a desperately depressed property investment market, it has been the Japanese who have shown some of the longer-term confidence which has deserted British investors. Nippon Life, for example, has just purchased a half-share in Wimpey's Little Britain office development in London for £110m. A string of multi-million pound property acquisitions have involved Japanese buyers.

Total investment outside Japan by Japanese interests - involving manufacturing, service and financial companies but excluding securities and property – fell by more than 15 per cent in the year to March 1991.

But investment in the UK is estimated to have risen by 30 per cent during the same period to reach nearly \$7bn, equal to 12 per cent of Japanese overseas investment – roughly the same as Japan's foreign investment in Asia. Investment in North America reached \$27bn, about half of all overseas spending.

Estimates suggest that there are nearly 150 Japanese companies now operating in Britain, considerably more than in France or Germany. So far, they directly employ around 40,000 people.

The UK continues to be the main focus, partly because so many companies are already established in the market and partly because its relatively open capital markets encourage outsiders to invest. Relatively low labour costs and the language – useful in commercial markets around the world – provide additional incentives.

So far, the Japanese have generally earned for themselves a sound reputation as responsible, efficient employers whose approach to work may involve significant differences but who have worked hard to integrate two widely contrasting business cultures.

Activity has included both new acquisitions and the expansion of existing operations. A check-list of deals since the start of 1989 compiled by the Nomura Research Institute undermines the theory that nearly all investment has been directed into so-called "screwdriver" assembly plants.

In that period, Nomura has identified 15 stakes or acquisitions in British companies, 11 new joint ventures, six research and development projects, 15 cases of further expansion and 28 greenfield site projects.

Recent investments have included the decision by Toyota to construct a £700m car assembly plant at Derby, which will be one of Britain's biggest industrial complexes, a £500m commitment by Nissan and a £350m programme for Honda.

The information technology sector has been a prime target for expansion in the UK and Europe, witness the £743m acquisition by Fujitsu, the computer company, of a majority stake in ICL, the British mainframe manufacturer. Fujitsu has subsequently announced that it is to link up with British Telecom to take over Fulcrum Communications, BT's last remaining manufacturing facility.

The deal has provided an all-important point of entry for Fujitsu's telecommunications operations in both the UK and continental European operations.

The Japanese have recently also shown themselves, somewhat controversially, to be interested in taking stakes in some of Britain's utilities. The speed with which Japanese investors snapped up sizeable stakes – since cut back – in both National Power and PowerGen, the two privatised electricity generators in England and Wales, raised eyebrows in the City.

Given the stability of the companies, with guaranteed demand and proven management and yields considerably higher than on comparable investments in Japan, the interest is not surprising and can be expected to repeated if similar opportunities arise elsewhere in Europe.

Other deals involving Japanese finance may have been less spectacular but no less interesting. Earlier this year, Nippondenso announced a joint venture to build a £65m manufacturing plant for automotive heating and air-conditioning units in Telford, Shropshire.

The project represents Nippondenso's biggest overseas investment and was partially attracted by the support provided to incoming businesses by the local development corporation.

Though they do not extend to the provision of design or technology facilities, other Japanese investments are centred on establishing R&D facilities in Britain.

Included among companies setting up R&D facilities are Sony, Canon and Sharp. Earlier this year, Nippon Seiko, Japan's largest bearings manufacturer, announced it is to spend £10m on a European research centre near Nottingham.

The move came a year after Nippon Seiko took over United Precision Industries, the biggest British-owned bearings maker, and should help allay initial criticism by UK industrialists that the acquisition would further weaken Britain's manufacturing base.

One benefit of the Nottingham centre – which will concentrate on research and development work for the aerospace, industrial, automotive, machine tool and general engineering sectors – will be the regular exchange of engineers between the UK and Japan.

Even further down the scale, the Japanese seem perfectly prepared to make comparatively small acquisitions in the manufacturing sector. In June, Nansin, a Tokyo-based private company, acquired Flexello Castors, the Slough-based manufacturers of castors, wheels and assemblies. The £4.3m deal added to the list of businesses facing difficult market conditions and securing fresh capital through new Japanese owners.

Last month, Matchmaker Machines, the Surrey-based manufacturer of computer numerically controlled machine tools, was taken over by Yamazen Corporation. The move is intended to give Yamazen a strong engineering and

The Government has been on the wrong side of the argument

technical base in the UK.

The Japanese are very reluctant to acquire control of companies through the share market and many appear to be concentrating on establishing their own production and sales networks, preferably in the form of joint ventures. If they do take control via the acquisition of shares it is almost always with the consent of the company concerned.

A high-profile or any form of controversy is unwelcome – the Japanese remain highly sensitive to the hostile greeting some of their activities provoked in the US.

Hence, the August decision by Hamamatsu Photonics not to proceed with negotiations to acquire Thorn EMI's light-sensing business, following a decision to refer the proposed deal to the Monopolies and Mergers Commission. Hamamatsu is the first company to have a possible bid referred to the MMC.

The government has often found itself on the wrong end of criticism over its attitude towards foreign investment in the domestic marketplace. While critics use inward investment as evidence of Britain's continuing failure to build its own industrial base, ministers also stand accused of failing to formulate a policy for attracting Japanese investment and of undermining investor confidence with its ambivalent attitude towards economic and political development in Europe.

Mr David Howell, a former Conservative cabinet minister and chairman of the Commons Foreign Affairs select committee, has warned that Japanese investment in the UK cannot be taken for granted and that it could easily be switched to other European destinations, especially to the east, if the climate in Britain is no longer supportive.

Despite the present lull in cross-border merger and acquisition activity, most Japanese analysts believe the global market will again be booming later in the decade.

An idea that

A decidedly different atmosphere permeates Nissan's 733-acre assembly plant in Sunderland, England.

Opened in 1986, the six-building complex boasts the very latest in automotive technology, as you would expect from the world's fourth largest automotive manufacturer.

In the press shop, six huge stamping machine mould sheet steel with up to 3,200 tons of force to produce body parts. In the highly automated body assembly plant next door, 86 computerized robots weld parts together as car shells glide by.

And as proof, the Nissan Primera has won numerous prestigious awards for automotive engineering excellence since its launch in 1990. From all over Europe. Truly, the Primera is exceeding all of our expectations.

In fact, the Sunderland plant produces 120,000 Primeras yearly. Nearly 90% are exported to various European markets (with the exception of the 3,000 5-door hatchbacks we export to Japan). A figure which translates into a £ 500 million contribution to the U.K. balance of trade.

3,064 philosophers

But it's not high-tech machinery nor state-of-the-art equipment that makes this immaculate plant unique.

It's the people. All 3,064 of them.

They are British. They are highly motivated and, unquestionably, highly skilled - training at Nissan is second to none in the industry.

The product they build - the Nissan Primera - was born and bred to appeal to European tastes. And the philosophy of "kaizen" they adhere to is a rare hybrid of Japanese and, you guessed it, European.

Kaizen means continuous improvement in quality. It is a philosophy so deeply embedded in the company that its momentum gives Nissan a huge competitive edge in the industry.

At every level, every individual seeks to find new ways of doing his or her job better. Even the smallest improvements matter significantly in the long run.

One such example of kaizen at work: Our people voluntarily arrive at their jobs before the official working day begins to discuss how they can improve upon the previous day's efforts.

In 1992, Nissan will produce a new small car for Europe at the same plant. Annual volume is expected to be around 100,000 units.

This will mean a further increase of at least 1,000 jobs at the plant. By then, Nissan's total financial commitment will exceed £ 900 million - the largest Japanese investment in the U.K.

While these numbers may look impressive, there is something much more important involved here. Nissan is firmly committed not only to the U.K. economy, but also to its people: Our customers.

We believe our manufacturing, technical, sales and service facilities will provide a solid foundation for generations to come.*

brought to life.

As they do in other markets around the world where we are responding to local consumer needs by providing exemplary products such as the Nissan Primera.

And this is something that simply cannot be measured by numbers alone. Just ask any philosopher you meet in Sunderland.

Cars built for a country called Europe.

NISSAN

*On January 1st, 1992, Nissan Motor Great Britain (NMGB) will open a new major dealer network within U.K

Nissan and NSK spearhead Tyneside renewal

Allies once again

HIDEAKI HIRANO, senior advisor to Ian Gibson, managing director of Nissan's Sunderland car plant, relaxes, still clad in his company issue blue overalls, at the end of a working day and recounts his surprise at the similarity he has found in the way Nissan's plants in Japan and Sunderland do business.

Before arriving in Wearside three years ago Mr Hirano, his experience of the West then confined to the US, expected the Sunderland managers' conduct towards each other to be rather more pushy.

He was astonished to discover a workplace where Western managers listened to each other and, even in hot debate, avoided humiliating public attacks on individuals.

"They have the ear to hear", he says appreciatively. "Is that a typical British style?"

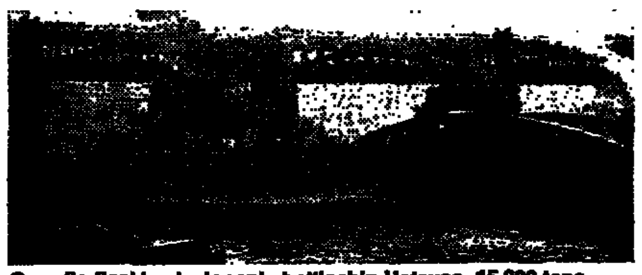
About 10 miles down the A19, from the perspective of North East England's first Japanese factory, the NSK Bearings Europe plant at Peterlee, Nissan's Sunderland operation looks different again. "In relation to Nissan I suppose we're slightly more Japanese," says personnel manager Mr Bill Wiles. "They've gone about things in a much more aggressive way."

The companies' promotional stance is indeed poles apart; NSK is as rarely in the news as Nissan Motor Manufacturing UK is out of it. Behind the scenes, though, NSK's recommendation was a key factor in the decision by Nissan, and other Japanese companies, to locate in the North East.

Both share the hallmarks – single union agreements, flexible working practices and egalitarian uniforms and canteens – *of the Japanese incomers.* And both are part of an influx which has had a profound impact on attitudes, in what had been a traditionally minded region, towards inward investment, trades unionism, management and working practices.

Contact between North East England and Japan is not a recent phenomenon; from 1862, the Japanese visited the region in admiration of its mining and heavy industry, becoming valued customers of Lord Armstrong's Tyneside-based armaments and shipbuilding empire.

Between 1885 *and 1905 most* of the Japanese fleet was built or armed by his Newcastle works; Geordies helped the Japanese win the 1904-05 Russo-Japanese War and they warmly cheered 150 of "Togo's heroes" when they came to watch Newcastle play at St James' Park in 1906. At that time the Armstrong empire was even exporting Newcastle-built cars to Japan and helping the Japanese create their own steel works. In later years, however, the relationship cooled and when NSK set up in Peterlee in 1976 it adopted a low profile, partly out of fear of backlash from World War Two.



Geordie flashback: Japan's battleship Hatsuse, 15,000 tons, passing the Tyne's swing bridge on November 7, 1900

Its arrival also sparked bitter criticism from the UK bearings industry, then fighting for survival; *NSK's purchase last year* of United Precision Industries, Britain's biggest manufacturer of bearings, was not without irony.

But by 1981 when Nissan started hunting for a UK site, the calamitous decline of North East heavy industry and spiralling unemployment had brought a change of heart; job hunting agencies, Labour-controlled local authorities and trades unions teamed up to win the project and mutterings from dissident unionists were condemned as betrayal.

Nissan's choice in 1984 of Sunderland for its European car plant was a big psychological boost for the region. "It was a bit like winning the Cup," says Ed Robson, then the local *authorities' Nissan project* coordinator and now Sunderland's director of architecture and planning.

The Nissan project, hailed then as Europe's largest single-site investment by a Japanese manufacturer, was rightly seen as the key to more investment; North East England now has Europe's largest concentration of Japanese manufacturing industry.

Nissan's £700m Sunderland plant, on target to employ 4,000 people by 1993, and Fujitsu's *new semi-conductor plant in* Newton Aycliffe, Co Durham, aiming for 1,500 employees by 1995, together constitute more than £1bn of investment. North East England now has 42 Japanese companies, expected by 1993 to employ more than 12,000 people. In 1985-1990 the Japanese were by far the biggest creators of new jobs among countries bringing investment to the region.

Dr John Bridge, *the Northern* Development Company's chief executive, says Nissan helped break down antipathy to inward investment by forging enduring links with local financial sector and professional firms. "From that point the local business community saw there was business there."

It has also brought work to established local manufacturing companies, as well as spurring 19 new automotive suppliers to set up in the region. This year, Nissan will spend £133m, almost half its total UK expenditure on components and materials, with North East based *suppliers.*

In the last 18 months, fewer new Japanese projects have arrived, but a number in the region have expanded. NSK for example, now employing 800 people in a £100m investment, last September opened a new Peterlee plant making ball bearings, a joint venture with AKS, and a steering components plant.

The job creation agencies insist the Japanese, selling UK-made products throughout Europe, are bringing lasting diversification to the North East's industrial base. They are, Dr Bridge argues, inherently different from the US branch plants which pulled out in the 1960s and 1970s.

As long as the Japanese are maintaining, indeed increasing employment – Nissan this month launched a 1,000 job recruitment campaign, double the previously announced number – most North Easterners are glad of their presence, especially as they provide many manual jobs for men.

But any substantial cutbacks in the future could well reawaken earlier criticism that inward investment fosters a branch plant economy.

There is no doubting, though, the major influence of a handful of the Japanese companies, notably Nissan and Komatsu, in promoting to local UK owned businesses the importance of quality in manufacturing processes and end product.

While NSK makes no bones about being Japanese, NMUK promotes itself as a British company with a predominantly British management. But it still needs somebody, like Hideaki Hirano, who describes himself as a "transmitter", to bridge the gap.

Chris Tighe

Mike Smith studies the roots of union disquiet

Pressures to conform

UK personnel manager considering widespread changes in working practices or employee relations and the chances are that he or she will have looked eastwards to Japan for a little inspiration.

Japanese working methods, with their emphasis on quality, team working and flexibility, are admired by managers the world over. The ways Japanese companies relate to their employees, through sophisticated communication systems and representative bodies, are increasingly emulated.

The pivotal concept in Japanese production methods is "total quality control", which espouses the theory that quality should be built into products at the production stage – obviating the need for quality inspectors – and is the responsibility of all workers.

It is supported in varying degrees by just-in-time (JIT) production, quality circles, team-based organisation of production and flexible labour deployment. Inter-worker disputes over demarcation are discouraged through a relatively simple industrial relations system; unlike traditional UK manufacturing companies, which often deal with a plethora of unions, Japanese employers usually deal with one representative body, sometimes an in-house company union, sometimes a group of workers elected directly by their colleagues.

The idea behind the Japanese manufacturing model is that making products as quickly as possible and with perfect quality is impossible without competence, commitment and adaptability on the part of the workforce. These are encouraged by single status working conditions, in which all employees are treated as one.

In the UK, the combinations vary from company to company and from plant to plant. A survey of Japanese companies in Britain by Nick Oliver and Barry Wilkinson*, published in 1989, found that 64 per cent used JIT, 73 per cent quality circles, 75 per cent "staff" benefits at all levels, 83 per cent in-company communications, 93 per cent group working, and 95 per cent flexible working.

The constant, used by all companies surveyed, was total quality control.

In a parallel survey of large UK companies, the authors found similar principles widely in use. Quality circles were in place in 68 per cent of companies; all-level staff benefits at 74 per cent; and in-company communications at 89 per cent. In virtually all cases, the use of techniques associated with Japan – although not necessarily developed exclusively there – had grown significantly in recent years.

For example, of 45 companies employing TQC, 23 had introduced it between 1983 and 1987. Even so only about 60 per cent of all companies had implemented TQC policies, against Japan's 100 per cent.

The problem with assessing the impact of Japanese investment in the UK on British personnel and human resources practices is that techniques often associated with Japan have been pioneered with just as much vigour in other countries, for example among the so-called excellent US companies.

What can be said is that there is an extraordinary hunger on the part of UK managers for knowledge about Japanese methods. Many of the Japanese companies that have set up in the UK are keen to help companies wishing to learn from their production and human resource management techniques.

Some of the changes originated in the US rather than in Japan

Yamazaki, the machine tool manufacturer, has had more than 11,000 visitors to its Worcester plant since it opened four years ago. Mr Ian Gibson, chief executive of Nissan Motor Manufacturing UK, says all of the company's competitors, Marks and Spencer and many local businesses have been to "look and learn" at the company's north-east plant.

"Clearly we do not tell people anything about the business which is confidential but, by and large, the doors are open. Businesses have been able to use things – not everything – they have seen, adapt them and put them into their own business in order to improve them."

Mr Bruce Warman, personnel director at Vauxhall, the UK subsidiary of General Motors, is one of those who have not yet been inside Nissan's UK plant, although he hopes to visit it soon.

Like other personnel directors in the motor industry, Mr Warman has in recent years negotiated widespread changes to working practices. At Vauxhall's Ellesmere Port plant employees last year agreed to a package of changes including the introduction of single table bargaining, in which all unions speak "with one voice"; elimination of spheres of influence whereby a union has sole membership rights in particular areas of a plant; team working; and a reduction in the number of employee classifications from 30 to eight.

If that all sounds thoroughly Japanese, Mr Warman cautions against such a view. Some of the changes, including single table bargaining, were at least as strongly influenced by practice in Vauxhall's US parent company as Japan, he says.

What is undeniable, he says, is that the Japanese success has helped stimulate a long, hard look at existing practice, and that has been accentuated by the existence of a Nissan plant in the UK: "Japanese practice *is not everything* but it has been influential."

A similar line is taken by Mr Mike Temple, personnel adviser at Northumbrian Water, which has this year introduced reforms including a pay bargaining system in which increases are determined through a company council of elected employees rather than direct negotiation with unions. This is the pay determination used by many Japanese companies, even those which recognise a union.

Mr Temple says the company council and other changes, such as improved team working and single status conditions for employees, drew on many influences of which Japanese practices were just one. However, he says, the nearby Nissan plant demonstrated it was possible to make the changes it wanted "in a safe and sensible manner. We would probably have done what we did anyway but we will never know whether we would have felt so comfortable."

Not surprisingly, such changes do not please unions and at the annual conference of the Trades Union Congress this month, Japanese companies came under fire for an "alien approach to trade union organisation".

Some expressed their opposition to beauty contests, used by Japanese and other employers, in which unions parade themselves before employers in an attempt to win single union deals. Opposition was also voiced to no-strike agreements, although no union affiliated to the TUC will admit to having signed one.

The TUC resolved to develop a joint union approach to all inward investors but virtually all unions accept that Japanese companies are unlikely to grant recognition deals which feature more than one of them.

**Japanese Manufacturing Techniques and Personnel and Industrial Relations Practice in Britain, British Journal of Industrial Relations, Volume XXVII, March 1989.*

Antony Thorncroft on Japanese support for the arts in Britain

Patrons in the grand style

THE UK is currently awash with Japanese creativity. In London alone there is *Visions of Japan* at the Victoria & Albert Museum, the largest exhibition held there for many years and an evocation of Japan past, present, and future; at the Science Museum *Robotics Japan* introduces the latest developments in industrial robots; at the British Museum there is a display of the monumental wooden sculpture of the Kamakura period (1185-1333); and at the Barbican a celebration of post-1945 Japanese photographs.

To come is the art of the printmaker Hokusai at the Royal Academy and 20th century Japanese painting also at the British Musuem, plus a top level Sumo wrestling tournament at the Albert Hall in October and, this week end in Hyde Park, a great open air family festival presenting *archers on horseback, drummers*, fireworks, and huge papier-mâché models.

This profusion is replicated throughout the country. It is all part of the Japan Festival, a bonanza which continues until January. The Festival is billed, with some justification, as "The Greatest Arts Festival ever staged in the United Kingdom" and includes well over 200 events. It was planned as a celebration of the centenary of the Japan Society but has far exceeded the original design.

The cost is a staggering £20m., virtually all of which has been contributed by business, notably Japanese companies operating in the UK. They have been persuaded to put up £15m., with the rest coming from British companies who trade in Japan, led by the Midland Group with *a £300,000* plus contribution.

The Japan Festival is a crescendo for Japanese arts sponsorship in the UK, but the contribution of Japanese companies to funding the arts in the UK has been growing steadily for years.

The list of Japanese sponsorship is long and distinguished, ranging from Nissan's major commitment to the Chichester *Festival* Theatre, which ensured the building of a studio space for more experimental productions; Toyota's support for the National Youth Orchestra; Kumagai Gumi's contribution to the Fitzwilliam Museum; Hitachi's backing for the BBC Welsh Symphony Orchestra; on to Yamaichi's aid for the Academy of London. All these have won awards under the Business Sponsorship Incentive Scheme whereby the Government encourages new sponsorships by doubling the aid on a pound to pound basis.

It is noticeable that Japanese companies like to support the arts at the local level, near their field of operations.

Local sponsorship can also help to make the workplace enjoyable

Hitachi, *for example*, has a factory at Aberdare in South *Wales and Nissan a base near* Chichester. Since moving its factory close to Manchester some five years ago Brother has generously supported the local Hallé Orchestra, as well as Manchester City Football Club. Sponsorship is in line with the Japanese good neighbours approach, making the work place an instrumental part of living and not somewhere distasteful to go just to earn money.

While other companies have pulled in their horns, and are reluctant to invest money in the arts during a recession, the Japanese companies have maintained their commitment, and have become the leading force in arts sponsorship in the UK.

In the past year Diawa has backed the new production of *Carmen* at Covent Garden; Subaru concerts by the tenor José Carreras with the RPO; and Hitachi the Welsh National Opera. Concerts, an art form not bound by language, and with good opportunities to entertain clients, are particularly popular with Japanese companies: Nissan supports the Philharmonia and RPO, and Pioneer the LPO. Japanese companies are also *interested in* shoring up the UK's museums – both Toshiba and Samsung have contributed to new galleries at the Victoria & Albert Museum, and the millions raised for the new Japanese gallery at the British Museum came from Japanese sources.

Having become such a major force in arts sponsorship in the UK it is timely that so many Japanese companies should be co-operating, through the Festival, to present the arts of their native land to their new workforces and customers. Toyota is making the biggest cash contribution, but others, who have not previously committed themselves to the arts, are enthusiastically co-operating.

Sanwa, for example, is spending more than £200,000, with some of the money coming from its head office in Tokyo; some from its London operation – to sponsor the Mingei exhibition of folkcrafts such as textiles, ceramics, and *lacquer* work.

For many it is a new experience: in Japan there is no tradition of companies being so closely involved in financing culture. Yet in some of the major exhibitions, like the *Visions of Japan* at the V & A, hundreds of Japanese companies are combining to meet a bill which far exceeds £1m. This exhibition has involved large scale structural alterations at the museum and, under the direction of the architect Arata Isozaki, three rooms have been elaborately transformed to reveal, in one, a full size temple and tea house, in another the sights and sounds of a contemporary Japanese city, and in the third a vision of the electronic future.

There are some in Japan who think that the Festival portrays too conservative a view of Japan, too much harking back to past culture. But, with its jazz and rock, its contemporary dance and video art, the Festival is far more than a re-assertion of Noh plays and Kabuki.

Ranging throughout the UK, from the Tokyo Symphony Orchestra playing in Belfast; to *dual* performances in Japanese and Gaelic of traditional folk music in Dingwall in the Orkneys; to horse back archery at Cardiff Castle, it will do its utmost to achieve its aim of *removing misunderstandings* about Japan and its culture.

Michael Skapinker queries the scope of electronics plants

Too many screwdrivers

ANY Briton whose home boasts a Sony colour television, a Hitachi video cassette recorder, a Sharp compact disc player and a Matsushita microwave oven need have no guilt about contributing to the trade deficit. The chances are that all these goods were made in the UK by British workers.

Since Sony set up its television factory in Bridgend, South Wales in 1974, 21 other Japanese electronics companies have established manufacturing facilities in the UK. Epson makes printers in Telford, JVC turns out televisions in Glasgow, Mitsubishi produces video cassette recorders (VCRs) in Livingston and Pioneer manufactures compact disc players in Wakefield.

Having established themselves in the UK, the Japanese electronics companies face a new challenge: satisfying demands in Britain that they design their products and buy more of their components locally.

Almost all the large Japanese electronics manufacturers now have British plants. They have been attracted by the UK government's welcoming attitude, which has been in strong contrast to the anti-Japanese hostility occasionally found in other European countries.

Britain's membership of the European Community meant the UK could be used as a base for exporting to the rest of the EC. There was also a dearth of strong British competitors, particularly in the field of consumer electronics, where the Japanese in the UK have tended to concentrate their efforts. Added to this is that English tends to be the Japanese businessman's second language.

Only the most narrow-minded of critics could deny the Japanese contribution to UK electronics over the past 18 years. Although there are no longer any substantial British-owned manufacturers of televisions, locally-based Japanese companies helped the UK record a £271m trade surplus in TVs last year.

Japanese companies are expected to make 4m televisions in the UK this year, rising to 6.8m by 1995. They will make 1.7m VCRs in the UK this year, increasing to 2.9m by 1995.

The British government has long encouraged the influx of Japanese electronics companies. Now, however, it is placing greater emphasis on the quality rather than the quantity of Japanese electronics investment.

The government's attitude was partly prompted by a study commissioned by the Department of Trade and Industry, which found that Japanese manufacturers in the UK bought only 15 per cent of their electronic components from local suppliers. The study by InterMatrix, a consulting firm, revealed that the impressive local content figures recorded by some Japanese companies resulted largely from the local purchase of packaging material, pressings and mouldings, and mechanical parts. There appeared to be less willingness by the Japanese to buy the more technically sophisticated electronic components in the UK.

Mr Peter Lilley, the trade and industry secretary, responded to the study by launching the Japan Electronics Business Association (Jeba) last June. Jeba aims to ensure that UK-based electronic component manufacturers boost sales to Japanese companies in Britain.

InterMatrix estimated that total spending on electronic components by UK-based Japanese manufacturers would rise from the current £1bn annually to £1.7bn by 1995, an increase of 67 per cent.

The reason that Japanese companies buy a relatively small proportion of their electronic components in the UK, InterMatrix said, is that what goes into a particular electronic product is specified by its designer. And despite the impressive increase in the manufacture of electronic goods by Japanese companies in the UK, almost all those products are designed in Japan.

Most of the goods manufactured in Japanese-owned plants in Britain are designed in Japan

"Key components are therefore specified in Japan and this inevitably tends to favour Japanese components – either supplied by Japanese component suppliers or by the Japanese subsidiaries of large western components suppliers," InterMatrix said.

There is nothing sinister about this reluctance to purchase electronic components locally. As the InterMatrix study points out, when Japanese companies set up a new factory in the UK their major concern is recruiting and training a suitable workforce. "To minimise the upheaval, initially products or kits are brought in from Japan and assembled in the UK by a 'screwdriver' plant which adds little value and (sometimes literally) screws parts together."

As the operation becomes better established, the company begins to buy sub-assemblies locally and then moves on to purchasing its components in the UK. Not all of the companies supplying the components will be British-owned. Several Japanese sub-assembly and component manufacturers have set up in the UK. Although not UK-owned, these component makers, like the product manufacturers, do provide employment in Britain.

In the earlier years UK officials' attitude to Japanese investment appeared most concerned about how many British jobs would be created, but there is now a greater stress on encouraging manufacturers to deepen their commitment. A report to the National Economic Development Council (NEDC) earlier this year called on the UK government to encourage foreign investors to design as well as manufacture.

The DTI is already encouraging Japanese companies to design products locally. InterMatrix says that the design that currently occurs in the UK tends to be the adaptation of Japanese-designed products for British use. There are trends, however, which will encourage Japanese companies to do more basic design here.

One trend is the need to pay closer attention to what the customer wants. Japanese companies say they are increasingly noticing differences in the tastes of customers in different countries. It is less and less easy to manufacture a single product and expect it to sell in all markets. The need to be closer to the customer is likely to encourage Japanese companies to do more product research and development in the countries in which they sell.

The UK cannot afford to be complacent about attracting Japanese research, development and design. Although Sony this year announced that South Wales would be its European R and D centre, other Japanese companies say that German engineers and designers tend to be better qualified.

James Buxton visits NEC Semiconductors

Gratitude in the glen

THE SPONSOR of an art exhibition currently running in Edinburgh entitled "Behind Golden Screens" is Livingston Development Corporation, which is usually associated with gritty advertisements telling you why you or your business should relocate to this Scottish new town.

Explaining the sponsorship, Mr Stuart Allison of the corporation says: "We wanted to thank the Japanese for their investment in the town and for their contribution to our economy." The exhibition, of work from the Tokyo Fuji museum, is part of the Japan Festival.

Although Japanese inward investors were slower in coming to Scotland than they were to Wales, Livingston, about 15 miles from Edinburgh, believes it has the largest number of them north of the border – 12 at the last count in a town of 40,000 people.

Mr Allison says that the Japanese have created nearly 3,000 jobs in the electronic sector, invested about £300m and helped produce an unemployment rate of only 7 per cent – about two points below the Scottish average.

The leading Japanese company is NEC Semiconductors, which alone accounts for £158m worth of the Japanese investment in the town. NEC is significant partly because it was the first Japanese company in Livingston, arriving in 1983. "It was the catalyst," says Mr Allison. "It opened the way to other electronics manufacturers and to further Japanese investment."

The other reason that NEC is significant is because since 1987 the plant has become the Japanese semiconductor maker's most important operation in Europe. In 1984 it decided to move up from assembling and testing semiconductors at Livingston to manufacturing the wafers there. The latest phase in NEC's investment at Livingston was a £40m project completed last year to introduce production of the 4 megabit DRAM semiconductor.

Mr Keiichi Shimakura, the managing director at Livingston, says his plant is the first in Europe to make this product and that it brought it onstream at virtually the same time as NEC's plants in Japan.

"School-leavers were too young. Now we are taking on those made redundant by other companies"

He lists "achieving better productivity than the company's plants in Japan" as one his main objectives at Livingston, but it is not one which has yet been achieved. The plant now employs 780 people and is continuing to recruit. It is moving away from its initial policy of taking on school-leavers at the age of 16 to recruiting people in their 30s, especially women.

"The school-leavers were too young," he says. "Generally speaking, they need educating until they are 18 to gain common sense and general knowledge. They ought really to have basic knowledge of mathematics and physics. Now we are taking on housewives and people made redundant by other companies."

Mr Shimakura would like to see pupils leaving school "with more basic knowledge and more discipline training."

NEC, which operates shifts lasting 12 hours at a stretch in four-day bursts followed by four days off, helps smooth the entry of the new personnel and make NEC better known in the town by inviting the parents or husbands of staffto group parties in which they are introduced to the factory. "Seeing is believing," he says.

But an equally important human part of the operation is the insistence of NEC on "total productivity maintenance" which includes making the operators, as shopfloor staff are called, responsible for tidying up and cleaning their machines after the shift. The operators (of which there are nearly 500) initially argued that this was the job of cleaners.

Another initiative is the zero defect (ZD) programme for which the operators are divided into 40 groups for their monthly meetings. Twice a year there is a ZD conference, from which those produce the best ZD ideas are given a free trip to Japan. Groups of workers are also sent to Japan for extra training.

Significant Japanese companies which have followed NEC to Livingston include Mitsubishi Electric, which makes video recorders and employs about 700, and Shin-Etsu Handotai which makes silicon wafers (and supplies NEC among others).

Though the impact of the Japanese companies on Livingston is easy to quantify in statistical terms, it is less easy to say how much the Japanese are changing Livingston, other companies in the town and the Livingston workforce not directly involved in Japanese plants.

Mr Bill Gold, senior manager for personnel at NEC, says that the company has provided its expertise in ZD management and quality circles to other operations including local companies, the Royal Bank of Scotland and the local health board. But he admits that in the case of some companies it is difficult to know if the Japanese experience really makes an impact. "Companies often look for an easy solution, a quick fix," he says. "They don't always realise these things have to be an integral part of the management style.

"It's hard to know whether they implement what they learn here because we tend not to hear from them much," he says.

Mr Gold is vice-chairman of the council of West Lothian College, the local higher education institute which, though based in nearby Bathgate, recently opened a branch in Livingston. The college now does a considerable amount of training for Japanese and also US companies in the town, usually under contract on an in-house basis with individual companies.

"We adapt to their exact requirements," says Mr David Murray of the college. "The Japanese are encouraging the college to keep up with their demands so that we provide the type of people they need."

However, by keeping most training inside the plants, it is sometimes suggested that the Japanese companies do not share their operating methods and allow cross-fertilisation as much as they might do. "The Japanese have begun to come out of their laager in the past few years," says one local observer, who points out many Japanese companies have moved to Livingston only in the past five years.

"But subjectively speaking I just wonder how much influence they have on the local scene."

Profile: Hiroshi Nakahara of YKK

Zip goes a million

IT WAS Shakespeare that ultimately brought the new managing director of YKK to London. But it is loyalty to his company that will send him wherever his skills are needed next.

Mr "Mac" Hiroshi Nakahara, who was appointed managing director of YKK, the zip manufacturers, at the start of August, has led a frenzied life in North America and Europe on behalf of his company. Now aged 42, he is unlikely to settle down for some time yet.

His industrious spirit is reflected in his office in London: there is no fancy furniture nor elaborate decoration, just a plain room dominated by a rectangular table and simple chairs. Much of his time is spent travelling, meeting managers and staff at the different YKK sites, as well as key customers.

Nakahara and products

A recording of Romeo and Juliet, brought to school by his teacher, helped inspire him to study English at Osaka University of Foreign Studies. He joined YKK on graduating in April 1972, because the company offered him a job two hours before another employer. He has never looked back.

After a year as a sales trainee in Japan, he was sent to Monterrey in Canada, and within six weeks dispatched to Toronto, where as one of just six staff he says he did everything from sweeping the floor as they built up the site.

In January 1975 he became operations manager at a YKK assembly plant in Chicago, and two years later was asked to set up a new depot in Cincinnati and co-ordinate another in Cleveland. In 1982 he was appointed sales manager for the YKK eastern division headquarters in New Jersey.

Just over four years later, he was moved to Milan, and then in April 1987 to the UK, where he became general manager, based at headquarters in London, but also with responsibility for four depots and a factory in Runcorn, Cheshire.

"If the company wants to give me a new challenge, and thinks that I should go elsewhere for my own sake, or because I have certain abilities, I will be happy to move again," he says.

While he plans to send his three children back to Japan for further education when they reach 16, and arranges regular trips for them to his country, he is in many ways cosmopolitan and stresses that YKK is not simply a Japanese company.

Within three years of arriving on the UK in 1969, YKK set up a factory. Wherever feasible, the company is committed to local production, partly to respond to local demand from the fashion industry, and partly because of its stress on becoming an international manufacturer, not simply a trading outlet of a Japanese organisation.

Only 21 of the 340 employees in the UK are Japanese, while the company secretary and one of the five board members are British. Several senior management jobs are also held by UK nationals.

It is a philosophy Mr Nakahara eagerly embraces. "We think this is an international company," he says. Japanese employees come on attachment to the UK, but British staff are also sent for training to Japan. He expects these exchanges to increase over the next few years. "We need to understand each other's cultures," he says. "That is a good thing."

Relaxing over a cup of coffee in his office, he exudes a strong sense of pragmatism and flexibility. To his staff, and even on his business card, he is "Mac": the first anglicised name he thought of when he moved to Canada.

"I wanted to be called by my first name, especially in the US," he says. "I think I have to obey local customs. It is also easier when I meet customers for them to remember. I suggest to other young Japanese managers posted overseas that they do the same."

One of the more obvious signs that he heads a company with Japanese origins is his dress: over the shirt and tie he wears a light grey uniform-style jacket with the YKK logo embroidered in orange above the breast pocket.

Yet he dismisses any suggestions that the workforce is expected to conform to a "Japanese" way of doing things. "In the factory, staff wear uniforms for safety reasons," he says. "In the office I don't insist on it for others, but I just find it more comfortable myself."

He rejects suggestions that the company operates somehow in a "Japanese" way, or that good British management practices are so different. "What is 'British' or 'Japanese' management?" he asks. "The cultural characteristics in the places I have worked vary a little bit country by country," he says, "but the business targets and goals are not so different."

He says there is probably less hierarchy in Japanese companies than some of their counterparts overseas, with a stress on listening to each employee and adopting their suggestions for improvement.

Working hours are not excessive: 9am to 5pm in the office, and 8am to 5pm at the factory, with an earlier close on Fridays. He says the Americans work far harder than the Japanese, who have often left work by 6pm when he tries to call them.

"We are not denying the British or the Japanese way: we wish to be called an international company," he says. "I don't think either the British way or the Japanese way is always right."

In his new role as managing director, he sees his main task as "wrenching" the UK company as smoothly as possible into the single European market. That includes boosting productivity to match German levels. Senior staff from the 16 YKK operations in Europe now meet monthly to exchange information and plan greater levels of integration.

At the same time, he faces the challenges of coping with declining UK demand, as clothing manufacturers struggle to maintain business, and many turn increasingly to lower labour cost areas such as Asia and eastern Europe for sourcing.

Mr Nakahara says his other key role as managing director is to communicate with and understand his staff, trying to become closer to them. "Without their help," he says, "the head of the company cannot do anything."

Andrew Jack

JAPAN IN THE UK 10

Filled with girlish glee – Japanese and English pupils at Putney Park School, London

Andrew Jack on the fears of expatriate parents

Overcoming the culture barrier

THE EDUCATION of Japanese children in the UK has undergone a revolution over the past few years, from what parents saw as an unfortunate necessity to a positive advantage.

"The main trend is of very rapid change, from isolation to realisation of the benefits of being overseas," says Roger Goodman, an anthropologist who is reader in Japanese *studies at the University of* Essex.

Ten years ago, it was extremely difficult in Japan for children returning from abroad. They were stigmatised, and viewed as disruptive. Special schools were set up to help re-orient them. Now these children have much higher status. "Parents are beginning to make the most of being overseas," he says.

Goodman, author of *Japan's International Youth*, is one of a few Western academics to have studied the topic of Japanese children educated overseas. However, in Japan, the subject has recently been widely researched.

Partly, there has been a questioning of the value of traditional Japanese education. "There is a feeling now that studying overseas is positive, that students come back more creative and individualistic," he says. "The children have done extremely well and so parents are prepared to be more adventurous."

There is growing rhetoric about the need to "internationalise" Japan. "Parents with a greater experience of foreign cultures are taking the risk of investing in the international experience," says Goodman. "The status of those living overseas has changed."

Given the high degree of influence wielded by those posted abroad – diplomats, business executives, journalists and others – there has also been significant pressure to recognise the difficulties of children reentering the Japanese education system.

As a result, there are now special programmes and places allocated in high schools and universities for those schooled overseas. There are even cases of parents in Japan sending their children abroad to gain access to this preferential treatment.

According to the Japanese embassy in London, there are more than 4,500 Japanese children in schools in the UK. Most parents are posted for just a few years, so the exposure their children have to schooling is short-term and varies widely.

Many use conventional British schools at some stage, although there is also a significantly-sized conservative group, who fear a backlash against the current tolerance and tend to steer clear of British education.

After a British infant school, many children are sent to Japanese-run schools, and despatched back to Japan at 15 for High School, possibly as boarders, where they prepare for *university. Goodman says* there is a strong gender division, with boys treated more conservatively in Japanese-style.

While a growing number of Japanese now study at British universities, most pupils still return home for higher education. "Your whole social status in Japan is based on which university you went to," says Goodman. "It is especially important among elite groups." Japanese students are more likely to return to the UK or the US afterwards, for a post-graduate degree.

There are a handful of schools in the UK specifically established and run along Japanese lines, including Rikkyo College in Horsham, Surrey, the oldest such school in Europe, and the Japanese School in London, in Acton, is sponsored by the Japanese government. They tend to replicate the Japanese school system: highly centralised, with an emphasis on rote learning and many exams, and with a timetable and curriculum controlled by the government in Tokyo.

Most teachers are sent on short-term contracts from Japan, and many may not even speak English. Locally-recruited teachers who have lived in the UK for a longer time have much lower status, salary and influence within the schools, even though they often act as intermediaries to the community because their spoken English is much stronger, says Goodman.

Even parents who send their children to British schools worry about them being left behind in the education race. As a result, several Japanese schools offer weekend courses.

There are also several "crammers" imported from Japan, which young people attend after school and on weekends for intensive tuition. At least one crammer based in Japan operates by sending faxes with work assignments to children in Britain, which are then sent back to be marked.

Mr Ralph Mowat, principal of the International Study Centre at Sherborne School, which prepares foreign students for entrance into independent schools, says there is a wide range of ability among the Japanese children he has taught.

"They are not all equally hard working and studious," he says. "Quite a number have the same problems as English pupils, but they tend to be under a great deal of parental pressure."

He says the school has taken the children of Japanese parents based in the UK, but also from an increasing number of parents living in Japan, who perhaps have travelled overseas and want the benefit of British education or fluency in English. Adjustment can cause difficulties. "Japanese classes are large, and the pupils sit and listen. Here we encourage boys to ask questions and participate."

Susan Brown, head of Wessex Gardens Infant school in north west London, which has several Japanese children each year, says most are extremely numerate, perhaps having been tutored at home. She also says that the parents tend to be very willing to participate in school, attending classes and helping with activities.

"There is a lot of pressure on children in the schools in Japan," she says. "I think the parents like the more relaxed atmosphere here."

Tokyo bank troubles cast a shadow, writes **Tracy Corrigan**

City influx marks time

THE prominence of Japanese financial institutions in London has faded somewhat in the last year or so, as the pressures of meeting new bank capital requirements forced institutions to rein in their ambitions. At the same time, a spate of financial scandals at home has refocused Japanese banks' and securities firms' attention on their own domestic market.

Of the innumerable institutions which made their way to London during the 1980s, some have had the muscle to establish themselves in a highly competitive market; a few have become niche players; but others have found it hard to come to terms with international markets, and are in retreat.

Towards the end of last year, declines in the Japanese stock market left Japanese financial institutions, which hold large amounts of assets in stocks, in a precarious position. "They were facing more stringent conditions than ever before. The (Japanese) economy had been consistently quite bullish since the end of the second World War," explains a Japanese banker based in London. "The tighter restrictions came as a blow, not just in practical terms but also in psychological terms. It was a culture shock."

The change in banks' capacity to lend forced them to review their strategies and re-adjust criteria for assessing asset quality. The net result was that some banks retreated from lending activities.

Although large banks are unlikely to desert the London market, some Japanese banks with smaller balance sheets decided to return to their traditional retail-oriented business. "But if they do go back home, they'll be facing a highly competitive market there too," one banker pointed out.

As well as the current economic climate, some negative experiences have also coloured the minds of some Japanese bankers. For example, Japanese banks are among lenders to Brent Walker, the UK leisure group which recently called in the Serious Fraud Office and faces possible liquidation, and Ferranti, the financially troubled defence group.

During the 1980s, Japanese enthusiasm for building up their lending business helped drive down borrowing costs for European borrowers, many of which became much more highly leveraged. As borrowing costs rose in the last few years, a number of borrowers have run into difficulties. Japanese, and indeed other foreign banks, have found themselves with substantial exposure to once-solid UK companies which were forced to restructure their debt.

This experience has not just been limited to the UK. For example, banks generally prefer to lend to government, rather than corporate, credits, but even in this area they have been wounded, as in the case of Federconsorzi, the Italian farm services cooperative, which they expected to be bailed out by the Italian government, should the need arise.

One of the attractions of the liberal financial markets of Europe was that it allowed Japan's rigidly divided financial institutions to become involved in new areas of business.

For the most part, the interest in the UK equities market has been mainly with the aim of distributing UK equity in Japan. Few houses have tried to gain a foothold in the highly competitive UK domestic market.

In the more international bond markets, and especially in the Eurobond market, Japanese *institutions have been more* prominent. Both Daiwa and Nomura are market makers in gilts. Various Japanese houses are among the strongest players not only in the yen sector of the Eurobond market, but also in dollars and increasingly in the Ecu.

But to date their most important contribution has been in the equity-linked market. In the 1980s, when many international banks suffered from declining profit margins, the Japanese securities houses provided a money spinner which not only buoyed their own profitability but probably kept a number of foreign houses from going into the red.

But the recent poor performance of the Japanese stock market has taken some of the shine off the equity warrants market. Although the volume of new issues has fallen, and deals are no longer trading substantially above issue price, the business remains profitable for new issues houses.

Interview: YOSHIO OSAWA, IBJ International's man in London

'This is the place to be'

FOR Mr Yoshio Osawa, head of IBJ International, London is the pre-eminent financial centre, where he considers himself "lucky enough to be assigned for a second time". Despite the threats posed by Frankfurt and Paris, he believes the array of international talent available in London is unrivalled.

In addition to its deregulated markets, one of London's main distinctions is that it immediately offers more possibilities to the newcomer than would be available to foreign institutions coming to Tokyo.

However, Mr Osawa points out that it was only after Big Bang and only when the capital strength of UK banks went into reverse that London was willing to rid itself of similar collusive practices. And that was only four years ago.

Japanese institutions which come to London thinking they will be accepted on the merits of their financial strength are deluding themselves.

"It is only when you have demonstrated that you are willing to play the game as members see it and according to their rules, and furthermore that you have something of added value to offer, that newcomers are accorded full membership to the British financial community," Mr Osawa says.

He thinks that perhaps only two or three Japanese financial institutions have achieved that status, although he will not say which institutions he has in mind.

On the other hand, activities that indicate a willingness to provide investors with helpful services win high marks among British financial institutions.

Some of the Japanese electric power companies have stepped up investor relations activities and the Japan Development Bank has been making the rounds of foreign investors, asking them under what circumstances they would be interested in buying JDB bonds.

But Japan still lags far behind the west in investor relations activities. Bond issuers have simply relied on the marketing strength of a lead underwriter chosen by them from among the big four brokers to make the issue a success.

Much of what financiers learn in London will serve them well as Japan's financial markets face deregulation and competition in the industry intensifies as the collusive structure gives way to a greater reliance on market forces.

Their experience outside their cosy environment of their domestic market has already raised an awareness among Japanese financial institutions of the need for risk management and internal controls. These have been introduced to some extent in their overseas operations. "The next step," Mr Osawa says, "is to do the same for their domestic operations," a much-needed step, as the recent financial scandals in Japan have demonstrated.

Tracy Corrigan and Michiyo Nakamoto

JAPAN IN THE UK 11

Anne Steadman on Japan's move into UK property

The big deals go on

THE INFLUX of overseas investors into the UK property market, particularly in the City of London, has been a significant feature since the mid-1980s. And of all the overseas investors, the Japanese have been the most prominent.

Now, although the pace of Japanese activity has noticeably slowed, it is still Japanese transactions that are hitting the headlines.

In late August two City deals together worth £290m were announced – very welcome news in a severely depressed market even though it was common knowledge that both had been in the negotiation pipeline for over a year. The first of the two deals involved the sale of a 50 per cent stake in construction group George Wimpey's Little Britain development, 90 per cent let to legal firm Clifford Chance, for £110m to Japanese insurance company Nippon Life. The second was the sale of Rosehaugh Stanhope Developments' Exchange House, phase 7 of Broadgate, to the American-led Prudential Global Real Estate Programme for £180m. In this deal too it is likely that at least some of the money was Japanese although it has been cloaked by a "confidentiality" clause which is often insisted upon by the Japanese.

The importance of overseas investment in the City, and in particular Japanese investment, is highlighted by surveyor Richard Ellis. The firm's Mr Alan Froggatt points to the fact that in 1985 over three-quarters of City property investment was undertaken by domestic UK institutions and property companies. By 1989 the balance had shifted and overseas investors accounted for some two-thirds of the total. Richard Ellis puts the Japanese contribution that year at around £900m – three times the level of commitment made in each of the previous two years.

Figures from surveyor Jones Lang Wootton show that in 1990 capital transactions in the City added up to £1.84bn. The Japanese share of that was 42 per cent. In the first six months of 1991 JLW reckons that the total was £642m and the Japanese slice was 24 per cent.

Japanese movement into UK property has followed a clear path. First to put their toes into the water – albeit with a fairly large splash – were the construction companies. The first sizeable acquisition was by contractor Kumagai Gumi which bought the former Post Office site at St Martin's-le-Grand in 1985, then in partnership with Mr Julian Markham's Glengate Holdings. This 270,000 sq ft development behind the existing facade was bought by the Nomura Group.

It was not simply the prospect of the European single market and London's position within it that made Kumagai and other contractors decide to try their luck in the UK. They had, says Mr Froggatt, half an eye on the scene back at home. For instance Kumagai was not then one of the top five Japanese contractors and wanted to boost its turnover so as to secure automatic inclusion in domestic tender lists.

Kumagai, which took over Mr Gerald Powell's Ranelagh Developments, has subsequently spread its wings much further than the City.

Bracken House, the former FT headquarters, undergoing refurbishment for its new owners

Among current projects, it is involved in a joint venture 1.1m sq ft project at Broomielaw in Scotland; its 180,000 sq ft office development in Reading is pre-let to the Prudential and at Central Park in Watford the 53,400 sq ft Oak House is let to the French Rhône-Poulenc.

In the City its £200m Whitefriars development on the site of the former *Sun* printing works, let to legal firm Freshfields, has received the first ever City Heritage New Architecture Award; and its 194,000 sq ft development at 55 Bishopsgate is substantially pre-let.

Another contractor, Obayashi, bought the former Financial Times headquarters, Bracken House, in 1987 for £143m – a price which raised a few eyebrows even at that time when City property was approaching the height of the boom.

Japanese development and real estate companies and traders followed into the UK hard on the heels of the contractors. Mitsui Real Estate and Mitsubishi Real Estate were both involved in transactions in London in 1985. And 1986 saw five acquisitions by Japanese developers with a total value of £250m – a figure which at £450m, in 11 deals, was almost doubled in 1987, according to Mr David Glascock of Weatherall Green & Smith's Tokyo office.

During 1989, he adds, there were no fewer than 27 big acquisitions in the UK by Japanese companies. Of these 13 were made by trading, development and real estate companies and seven by others including individual entrepreneurs and consortia. But 1989 was particularly significant because it marked the entry into the London market of the Japanese life companies. The first was Dai-ichi Life which bought the Randsworth Centre in Wilson Street in the City for around £39m. This was followed by Yasuda Life's £140m purchase of the Taisai/Hammerson joint development at Finsbury Circus and Asahi Life's acquisition of Leadenhall Court at just under £120m. Nippon Life, Chiyoda Life and Sumitomo Life also bought London investment properties in 1989.

Japanese insurance companies were even more prominent in the market in 1990 with Sumitomo Life taking 52.5 per cent of J. P. Morgan's Morgan Place in Tudor Street for £220m, the largest life company purchase to date. Dai-ichi bought a 50 per cent stake in Minster Court, Mark Lane on a joint venture basis and Meiji Life took a 50 per cent interest in Peterborough Court, Fleet Street with Goldman Sachs by way of a convertible mortgage.

Further life companies are known to be keen to buy in London. But factors both in Japan and in the UK are likely to limit activity. Higher Japanese domestic interest rates from 1989 saw life company premium income dip considerably as savers put their money into banks or alternative investments, taking advantage of higher interest rates. The knock-on effect has been that there is less in the life companies' kitties to spend on overseas real estate. In addition, the Japanese Ministry of Finance, whose approval is necessary for overseas purchases by life companies, has been dragging its heels over its decisions – all part of current policy of encouraging investment funds to stay in Japan as far as possible.

Developers and traders, reliant on cheap bank finance, have also been affected. They have already suffered increased costs on existing loans and are reluctant to increase exposure with new loans. Besides which, the Bank of Japan has taken steps to restrict the volume of bank lending for speculative real estate transactions.

There is no doubt that the Japanese will continue to play an influential role in the UK property market. But their own domestic concerns, combined with the current woeful state of the UK property market, mean that in the short term their activity will continue at a slower pace and at a lower volume. It is unlikely that we shall see the levels of the late 1980s again, says Mr John Stephen of Jones Lang Wootton. But he considers activity will resume at a steady pace in the medium term.

Despite the ambitions of Paris and Frankfurt to assume the status of financial capital of Europe, it appears that the Japanese have come down firmly in favour of London as their main avenue of European property investment. They have undertaken limited activity in other European cities, notably Frankfurt, and are taking a keen interest in the former eastern bloc countries.

However, in the main, Japanese interest centres on good quality, well-let buildings in large lot sizes. The supply of such buildings is limited. But there are more of them in London than in Frankfurt or Paris.

The UK is taking more of Japan's R&D, says **Clive Cookson**

Collaboration in the lab

JAPANESE companies have been much more reluctant than their European and US counterparts to set up research and development facilities overseas. No Japanese company conducts R&D on a truly global scale, like IBM in computing, Philips in electronics, General Motors in cars and Bayer in chemicals and pharmaceuticals.

Even so, Britain is undoubtedly the favourite location for Japanese companies deciding to carry out R&D in Europe. "The UK is in Japanese eyes a promising R&D location with good researchers, culturally close to the US yet politically part of Europe," says Mr Chris Floyd, a technology consultant with Arthur D. Little, who has studied Japanese attitudes to R&D.

"The British are regarded as creative people, and there is a real sense in Japan that UK universities are better than other European or US universities, in terms of their research."

About 30 Japanese companies now claim to have R&D facilities in the UK, although the majority are on a small scale with just a handful of staff doing design or development work for the local market. Only a dozen carry out fundamental scientific research or development work for the world market.

Most are in the industries where Japan is a global leader, such as electronics, electrical engineering and vehicles. Less predictable, perhaps, is the Japanese pharmaceutical industry – still lagging behind Europe and the US but nursing global expansion plans.

Eisai and Yamanouchi, two of Japan's most outward-looking drug companies, are investing substantial sums in UK research.

Eisai is committing £50m over the next 15 years to build and run a neurosciences research centre at University College, London (UCL) – the largest and longest-term funding arrangement any company has made with a UK university.

The centre's American director, Dr Lee Rubin, has just been recruited from Athena Neurosciences, a California biotechnology company, and the laboratory is due to open in autumn 1992 with an initial staff of 30 researchers. They will concentrate on disorders of the central nervous system such as Alzheimer's and Parkinson's diseases.

Yamanouchi Research Institute (UK) has been operating for a year in a converted ward at Littlemore Hospital, originally a Victorian lunatic asylum, on the outskirts of Oxford. Its research field is cell biology – and in particularly the cellular processes that give rise to disease.

Dr John Lackie, who was recruited from Glasgow University to direct the Yamanouchi institute, now has 25 staff. The project is about to move on to its second phase, which will involve converting a second large ward to laboratory space and eventually recruiting a dozen more researchers.

"Our interaction with Yamanouchi in Tokyo has been very happy," said Dr Lackie. "The fact that they are willing to invest more money at this early stage shows how supportive they've been."

Unlike the Eisai centre on the UCL campus, the Yamanouchi institute is not formally part of Oxford University. But, Dr Lackie says, "we are beginning to fit ourselves into the academic scene." As a first step, the institute has funded a research fellowship in cell biology at Wolfson College, Oxford.

The Yamanouchi institute is within sight of the new Oxford Science Park, whose first tenant will be Sharp Laboratories of Europe (SLE) – the European R&D headquarters of Sharp, the giant Japanese electronics company. SLE was set up last year in temporary offices in Abingdon, near Oxford, and will move next spring to two permanent buildings on a four acre site on the science park. The staff will expand then from 31 today (of whom 22 are directly engaged in research) to a full complement of about 50 people.

SLE is focusing on opto-electronics, information technology and imaging technology, "at a basic research level between blue sky research and product development".

The University of Surrey Research Park in Guildford is host to two Japanese R&D centres: Canon Research Europe and Kobe Steel European Research Centre.

Canon, the photographic and electronics company, carries out two distinct areas of research at its Guildford centre, which was established in 1988. One is visual programming languages – software enabling computers to process pictures.

Canon's other area of UK research is audio. Its first product, a loudspeaker system called Wide Imaging Stereo, was launched in June. WIS, which gives a better all-round stereo effect than conventional systems, was invented personally by Mr Hiro Negishi, head of Canon Research Europe, and then developed into a finished product by a team of British acoustic engineers.

"I believe that if I had been in Japan I would probably never have imagined or developed WIS technology," he says. "The British audio culture, environment and infrastructure allowed me to bring ideas to reality."

Kobe Steel is not only expanding geographically beyond Japan but also diversifying away from metals into other industrial materials. The Surrey laboratory, opened in 1990, works on polymers.

To help establish the laboratory, Kobe employed the distinguished polymer chemist Sir Geoffrey Allen, who had just retired as research director of Unilever and was previously head of the Science and Engineering Research Council.

Kobe's use of Sir Geoffrey is typical of the Japanese approach to R&D in the UK, says Mr Floyd of Arthur D. Little. "Japanese companies have been very careful to anchor their research centres here in some sort of respectability."

The appointment of distinguished consultants is one symptom. Another is the choice of respectable universities such as Cambridge, where the electronics giants Toshiba and Hitachi have located research laboratories.

Other well-known Japanese companies with UK R&D activities include Sony, Nissan and Fujitsu. More, including Panasonic (Matsushita) and NEC, have UK design centres.

However, as Mr Floyd points out, many more large and innovative Japanese companies – such as Kyocera, Mitsubishi, NKK and Minolta – still do no significant R&D in the UK or elsewhere in Europe.

He believes the internationalisation of Japanese research is very much in the interests both of the companies and of the countries where they set up facilities. But the British government should promote the UK more actively as an R&D location.

John Hopkins on why the Japanese are buying UK golf clubs

Own the course — to make sure of a game

TO say that the Japanese have become infatuated with golf is an understatement on a par with saying that they are good at making electronic equipment. Only a small percentage of Japan's population play the game and only 15 per cent of these graduate from practice ranges to try their skills on a course.

But golf has taken hold in Japan and on the Japanese with a vengeance. Big department stores in Tokyo have indoor putting greens and sand-filled bunkers. There's even a brothel called the "Hole-in-One" with a putting green in the lobby.

Today Japan is golf-kichigai, which means golf crazy. Nothing can convey the enthusiasm the Japanese have for golf so much as the Shiba Golf driving range in Tokyo. There in a three-storey building that never closes, 155 golfers who booked their tee-times two weeks earlier hit so many balls it looks to the bystander as though it's hailing. The balls fly into 100-foot-high nets and drop to a 300-yard-wide rubber mat covering the ground. Like The Windmill, The Shiba never closes. The importance of golf in Japan is demonstrated daily in two ways. The first is by the existence of the Nikkei Golf Membership Index, which charts the rise of membership fees at Japanese golf clubs. The second is the number of advertisements in the Tokyo financial papers placed by companies advertising popular club memberships for sale and the names of clubs for which they have buyers.

Popular as it is in Japan, even golf has been affected by the recession. In March 1990 the NGMI peaked at 948, up more than 50 per cent in the previous eight months. Within a year it had fallen by more than 300 points. The average price of membership of a club in Japan in July, the last available figure, was Y32.18m, down from Y34.9m in three months.

In July a leading dealer in golf club memberships filed for court protection, citing outstanding debts of Y260bn. It was Japan's second largest corporate failure this year and the fourth biggest on record.

Earlier this month, a leading Japanese golf course developer was declared insolvent with outstanding debts of Y110bn. The company had tried to capitalise on the interest in golf club membership but had allegedly issued nearly 50,000 memberships instead of the promised 2,800.

As bowling declined in popularity in Japan, so the popularity of golf spread perhaps because, as A. A. Milne once put it, "it is the best game in the world at which to be bad". Now, it has become such a national pastime that going to the driving range has become an event in itself. There are now rangebags in Japan, bags containing the three clubs you carry on your way to the driving range.

In a land with nearly 14m golfers, there are fewer than 2,000 courses. This scarcity, in part created by the shortage of land, means that membership of a golf club is expensive. Perhaps the most expensive of all is a country club in Tokyo which costs more than £1m to join – and that's before the yearly subscriptions.

Green fees at clubs around Tokyo range from £100 to £200. But that's just the half of it. A ball costs £5 and even to hit at a driving range requires you to book a tee time weeks in advance.

Play golf in Japan and you get an idea of what the future holds. At one course outside Tokyo, golf bags are carried by monorail operated by remote control by caddies. Some courses do not have escalators but skylators, or moving rubber walkways. There's a craze in Japan for inhaling oxygen before playing. It is said to calm the nerves and help concentration. And when you complete a round and are about to enter the clubhouse you don't scrape your golf shoes outside the door, you use a high pressure air hose to blow the mud off them.

Life is less pleasant for the Japanese golfers around the world. In Britain, they have become the new outcasts, in succession to Jews and women golfers. Their ambassador to Britain plays at Sunningdale but many of his fellow countrymen have to make occasional raids on accommodating courses or take their turns at driving ranges.

The problem is partly racist. Golf club members in the UK are among the greatest of all racists, anti-Semites, anti-blacks, anti-women. Memories of the war take time to heal. It is also a question of culture.

The way the Japanese play is entirely foreign to the British ethos. In Japan a round of golf is an all-day event. There is nine holes in the morning followed by a beer, sake, a soak in a hot bath before setting out for the second nine. Allowing for travelling time, many Japanese have to get up at six or seven to get to the course and won't get home again until late in the evening. In Britain, golf is a three or four-hour pastime followed by a quick drink in the 19th hole, the clubhouse.

Unable to play in Japan, unable to play in the UK, the Japanese have taken to buying courses. They have a financial interest in the Old Course hotel at St Andrews, the home of golf. The first golf club in Britain to be bought by the Japanese was Old Thorns, built in 1982 near Liphook, Hampshire, and designed by David Thomas and Peter Alliss, the BBC TV golf commentator.

When it was bought by London Kosaido, its name was changed to the London Kosaido golf course, Japanese-style communal baths were installed and a 28-room hotel, Japanese restaurant and bar were built.

Camberley Heath golf club was recently bought by the Japanese. Hitoshi Matsuura, president of Nitto Kogyo, the Tokyo leisure group, is a golf fanatic. He watched BBC TV's pro-celebrity golf series when it was broadcast from Turnberry, Scotland, and bought the famous course on the west coast for £14 without looking at it. The reason for the urge to buy into golf was that Japan had a strong currency and its business community has a strong natural acquisitiveness. Japanese entrepreneurs have bought 18 of Hawaii's 47 golf courses and every week-end they fly in parties of Japanese for whom the flight and green fees are cheaper than a round at home.

The yen is weaker now, the cost of golf club memberships in Japan is lower than it used to be. But make no mistake. Japan is still golf kichigai.

John Hopkins writes on golf for the Weekend FT

Tee-time in Tokyo: golfing addicts blaze away on a driving range that, like The Windmill theatre, never closes

Jim Kelly on the spread of Japanese studies

Best way to achieve better understanding

A RECENT visitor to Whitgift School in South Croydon, a state primary, would have seen 10-year-old children undergoing a lesson in modern Japanese.

The handful of children at Whitgift, a pioneer in the UK, represent the youngest class in a nationwide "school" of more than 12,000 students studying Japanese at all levels.

The watershed was the Hayter Report of 1963, which called for new centres to study post-war Japanese language, culture and society. Since then, demand for teachers and post-graduate research facilities has threatened to outstrip supply.

The trend, seen by the government as a response to Japanese economic competition, was further fuelled in 1987 by Sir Peter Parker's report Speaking for the Future, which recommended more British government money for Japanese studies.

In recent years, Japanese government and industry have also become important benefactors of UK universities.

In the 1980s Japanese Studies spread out from the original four centres at Cambridge, Oxford, Sheffield and the London School of Oriental and African Studies.

Between 1986 and 1989, centres sprang up at Cardiff, Essex, Newcastle-Durham, and Stirling. Japanese-related courses were also initiated at 17 other places including Aston, Bath College of Higher Education, Edinburgh, the London School of Economics and Political Science, Manchester, Oxford Polytechnic, Sunderland Polytechnic, University of Ulster and Warwick.

According to the Japan Foundation Endowment Committee, between 1983 and 1988, the number of undergraduates studying Japanese rose from about 150 to 300. (The committee was founded in 1974 to administer funds in UK universities.)

The nature of the courses also changed: instead of dwelling primarily on language and culture, they now also aim to instil students with a practical or cultural insight into modern Japan.

Dr Mark Collick, director of the Centre for Japanese Studies at Sheffield University, the leading "Hayter centre", says: "We don't feel it necessary any longer to go out of our way to be different; we feel the battle has been won."

Dr Phillip Harries, lecturer in Japanese at Oxford University, says of the last decade: "We have not yet settled down from that expansion."

At Oxford, Japanese studies take place within the Faculty of Oriental Studies and the Nissan Institute of Japanese Studies, which was founded in 1981 with a grant from the Nissan Motor Company, and is to be re-sited in a purpose-built building at St Antony's College following a second Nissan grant.

A Japanese business studies class for sixth formers of Westminster School, London

Dr Harries agrees that there is less of an argument in the 1990s between the traditional and the Hayter approaches. "It is felt that you need a broad base, it's very hard to do it all the Hayter way."

Oxford has recently opened an office in Tokyo, headed by Dr David Morris, a specialist in contemporary Japanese politics. Several colleges have developed links with Japan. Keble College offers tutorial fellowships funded by Industrial Bank of Japan. Tokyo Electric Power funds the fellowship at Pembroke College, and Kobe Steel and other Japanese companies give support to St Catherine's College.

Prof Richard Bowering, at Cambridge, believes a centre is needed in the UK to teach Japanese studies "in a non-US context". It would provide a base for fashioning a "European attitude to Japan".

He points out that each of the top 30 libraries in US have double the resource base of the largest in the UK. The major source of funds in Japanese Studies at Cambridge is Fuji Bank. A recent grant came from Mitsui Marine Insurance in the shape of £650,000 worth of microfilm documents.

If the UK were ever to rival the US, where more students at Harvard study Japanese than French, the change would have to start in the schools. Ms Joyce Jenkins, executive secretary of the Japan Language Association, notes that in the last four years the number of non-university courses has risen more than 10-fold to 320. The language is now taught at some 58 state secondary schools and 17 private schools.

Japanese studies in the UK are supported by a network of organisations. In addition to the Japan Foundation Endowment Committee, there is the British Association for Japanese Studies, founded in 1974, which has recently published a new journal, Japan Forum.

Both the Great Britain-Sasakawa Foundation and the Daiwa Anglo-Japanese Foundation finance Japanese studies at university and secondary schools; and the UK/Japan 2000 Group, established in 1985, promotes high-level contacts in politics, business and culture.

Michiyo Nakamoto advises on how to cope with living in England

Relax: it's a museum

Japanese visitors in London marvel at the view: 'the centuries-old buildings are still inhabited'

Alan Harper

THE VIEW that "England is a museum," as one Tokyo trade official put it, more or less sums up the initial impression of most Japanese expatriates who have newly arrived in this country.

The centuries-old buildings that are still inhabited, the eerie warnings to "mind the gap," as the underground train squeals into the platform, even the black cabs with their manual doors, all hark back to an age that to most Japanese belong in novels and 1920s movies.

But museums have a lot to offer in lessons of survival and the Japanese visitor soon finds that there are shining examples of qualities that have tended to be lost in the hustle and bustle of modern-day Japan. Patience, for example, is a virtue that was much valued when Japan still remembered its Confucian heritage.

Today, it is largely forgotten and Tokyoites, in particular, expect nothing less than on-the-dot reliability from their public services and profuse apologies for any failure to provide just that.

In England, on the other hand, making a fuss about reliability or punctuality often betrays a certain lack of social grace.

Take the experience of one Japanese gentleman recently arrived in London who found himself with no change in front of the only functioning ticket machine in a London underground station.

The machine demanded "exact change only" and, it being late on a Sunday even-

Shining examples of qualities that have been lost in the bustle of modern-day Japan

ing, the customer service booth, needless to say, was closed.

The shock of his predicament left him angry and bewildered, but his confusion was soon replaced by amazement, bordering on awe, as he discovered what the British do in such circumstances.

The next passenger who

His confusion became amazement as he saw what the British do in such circumstances

walked up to the "exact change only" machine did not have the correct change either. But, without a trace of anger or surprise, he simply waited by the machine until enough small change had been fed into it by other passengers and the "exact change" sign was replaced by one that said "all coins accepted".

Another lesson the Japanese quickly learn in London is that there is more than one solution to a problem.

A businessman from Hiroshima, now living in Maidenhead, illustrates the point with the story of his shower.

He had agreed to rent a flat on condition that the landlord installed an extra shower in one of the bathrooms.

The first time he took a shower, he discovered to his dismay that water flowed over the bottom of the shower compartment on to the bathroom floor.

But when he asked his landlord to raise the rim of the compartment, he was told that there should be no problem with the water overflowing - all he had to do was make sure he did not run his shower for more than five minutes at a time.

My personal view of England has been coloured by my experience at a London hairdresser. The woman who cut my hair was very chatty and relaxed - she took sips from her cup of coffee in between snips at my hair.

But it does not take too long for most Japanese to adjust to the British way of life, judging from the testimony of a young housewife in Surrey.

"When I first came to England," she says "I used to get very upset when people did not come at the agreed time.

"But the other day, when our plumber appeared on the day of our appointment, I was so glad that he even showed up at all, it hardly mattered that he wasn't on time."

Many Japanese would agree that their encounters with the more relaxed British attitude to life can have a very positive effect.

The west is united in its view that the Japanese need to learn to relax and to work less. There is general agreement in Japan as well that the new generation should be encouraged to adopt a more creative approach to things.

But for others, their experience in Britain is still a stark reminder of what awaits them when they relax their grip too much or stop working, as some would say, like ants.

A FAMILY ABROAD

How green is our Surrey

MRS Masako Tomihara could almost be mistaken for an estate agent as she enthuses about her home in Sutton, Surrey ... "three storeys, five bedrooms, a double garage and a large garden."

Compared with her rented apartment in the suburban sprawl of Tokyo's western district of Shibuya, Mrs Tomihara sees substantial benefits in living in the UK. She talks enthusiastically about the opportunities the sojourn in Britain will offer her and her family.

"We were very excited when we first came to England. And we are very impressed by how green everything is in Surrey," she says. One of her daughters summed up the contrast between London and Tokyo when they first arrived, she says. "She said she was surprised that English houses had such big parks. Of course, she meant gardens – although she called them parks," laughs Mrs Tomihara.

Two years ago Mrs Tomihara and her family came to the UK,

At home, they did not own a car. Now not only do they have one, but the company changes it every year

when her husband, Mr Yoichi Tomihara, became manager of the Toyota Motor Corporation in London. Originally, the plan was for the Tomihara family to return to Japan next April, but they have enjoyed their brief stay so much that they have extended their overseas posting for three or four years.

The housing situation is not the only thing that has proven pleasantly surprising. Even though Mr Tomihara was a Toyota executive in Japan, the family did not own a car. Now not only do they have their own car, but the company changes it every year.

Though clearly revelling in her new lifestyle, Mrs Tomihara found London quite a culture shock after life in Tokyo. When the family first moved to the UK they settled in Harrow in North London. "We were very disappointed. There was a lot of rubbish on the roads. And we were not happy about the state school where we sent our daughters."

She and her husband looked at the possibility of sending their daughters to a private London school, but found there were no places and the fees were high.

They decided instead to move to Sutton, where their two daughters, Sayaka, aged 10, and Kana, seven, attend the local state primary school. Mrs Tomihara is impressed by the teaching, the discipline and the facilities. "They have a big swimming pool there. I never thought they would have that in an English state school."

The extravert Mrs Tomihara and her husband, like many Japanese couples, have taken advantage of the golfing facilities in the UK. Clubs such as the Old Thorns, at Liphook, and Camberley Heath, for example, are both Japanese owned. Old Thorns even has Japanese food, Japanese baths and rice paper partitions.

Mrs Tomihara is thinking of taking up horse-riding – a pastime almost unheard of in urban Japan because of space limitations there.

But she believes the biggest opportunity in coming to the UK has been for her children to learn English. A fluent English speaker herself, she was keen for her children to attend an English school and become bilingual.

Due to their "talkative personalities", as she puts it, the plan seems to be working. Her daughters, she reports, enjoy the British school system, which she believes is less taxing than that in Japan. "They don't want to go back to Japan," she says.

Her husband, too, is having to perfect his English the hard way. In his office of some 200 staff he is the only Japanese employee.

Mrs Tomihara hopes to exploit her grasp of the English language more fully when she returns to work in a few years' time. Then she plans to use her experience to become a Japanese teacher for non-Japanese speakers.

In order to integrate the family into British life, the Tomiharas were loth to migrate to one of the two Japanese communities which now exist in London – in the Finchley area of north London, where the Japanese school was housed until 1987, and in the Acton/Ealing area where the school was re-located in March that year. In this the Tomiharas are quite unusual.

Estate agents in the Ealing and Acton areas have benefited from the move of the Japanese school. The west London branch of London-Tokyo Property Services has some 200 families on its books every year looking for accommodation in the area, mainly for rental, says Mr Masahiro Sato.

The school, which is partly financed by the Japanese government, has about 1,000 day pupils, ranging from seven to 15 years of age. All lessons are taught in Japanese and closely follow the curriculum taught in schools in Japan. Virtually all the students have at least one parent who is Japanese; most have two.

The problem for estate

"It is hard to persuade Japanese families to take unmodernised English houses"

agents, says Mr Sato, is that many Japanese clients find English houses unacceptable.

"English houses are quite old, and if the landlord hasn't modernised them, especially the kitchen, bathroom and toilet, it is difficult to persuade Japanese *families to take* them," he points out. "If modern facilities are missing, Japanese tenants can be fussy."

They can also fuss about the costs. Mr Sato says the rental of a house in London can be *twice that of one* in Tokyo.

Mrs Tomihara appears to have overcome such problems. But along with many Londoners, she bemoans the lack of an efficient transport system. "When I was in Japan, if I wanted to go to Ginza or Shinjuku (the main shopping centres) a train would come along every two or three minutes," she complains.

The trains between Sutton and London are much less frequent, and she finds it particularly time-consuming to have to travel from the centre of London to Harrow, Middlesex, a journey of some 20 miles away to visit old friends and neighbours.

But there is one thing above all others that Mrs Tomihara misses about Japan, she says. That is the food.

Delia Bradshaw

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Andrew Jack looks at the success of the Nissan car plant

The liberated managers

THE Nissan car plant in Washington, Tyne and Wear is anything but a typical British manufacturing site. Appearance and organisation, productivity and links with suppliers: all are fundamentally different.

Prof Daniel Jones, professor of motor industry management at Cardiff business school, and joint author of The Machine that Changed the World, a study of Japanese car production techniques, enthuses over the works. "Here is real teamwork, an enormous devolution of responsibility down to the work teams, and production methods which make visible immediately anything that goes wrong," he says.

Mr Peter Wickens, Nissan's director of personnel, says there are four key elements that top management learnt from the Japanese: an absolute commitment to quality at all levels within the business; the application of "kaizen" or the stress on continuous improvement throughout the production process; the ability to plan and analyse every action in detail; and the high level of engineering skill applied from design right through to final production.

Whatever the most important factors, the methods used are clearly different – and undeniably better – than those in UK plants. Prof Jones' book shows that the typical Japanese car is built in a fraction of the time of its US counterparts. But some commentators are sceptical of the origins of the management techniques on display at Nissan and in other Japanese production facilities in the UK.

"I don't accept that what the Japanese do in Britain is what they do in Japan," says Prof Ian Gow, director of the Scottish Centre for Japanese Studies at Stirling University. "Their operations here have more in common with any greenfield site. What we are seeing is international management, British style, with a slight Japanese flavour."

The London branches of Japanese financial institutions and trading companies mirror their equivalents in Japan far more than any manufacturing operations, he argues. British staff may have elaborate titles and high salaries, but are normally excluded from key decision-making, which relies on continual exchange of information – in Japanese.

However, in manufacturing he believes the pattern is far less clear. Certain characteristics recur: a flexible workforce, for example, with employees who are willing to work on a variety of different tasks, may well not be unionised, and do not see a strong divide separating them from their managers. Prof Gow says these are typical of all greenfield sites – those built from scratch – regardless of the nationality of the parent company, and they reflect the best in current management thinking.

"Greenfield sites liberate managers to do what they want," he says. They can select the best employees and arrange things as they choose, rather than inheriting the legacy of previous managers. What has been hyped over the past decade is partial Japanese solutions. He criticises consultants who have "worshipped at the shrine in Japan for three days" and then returned to Britain to preach the latest fad. Most of this advice failed because it did not take account of the differences between Japan and the UK, such as the level of education, or the respect given to engineers.

Others stress that much management practice casually referred to as Japanese comes from other parts of the world: the American influence is strong in the emphasis on quality and employee involvement, for instance. Mr Wickens agrees with much of Prof Gow's argument.

The British have more experience of solving problems — Japanese have fewer problems

"Nissan in Japan never sought to its style on us," he says. "The senior British staff did what we thought was right for us. It is always extraordinarily difficult to say what is Japanese. We apply those things which are generally good management and are universal now." He says much of the stereotypical Japanese approach – lifetime employment, consensus management, respect for seniority and so on – is very culturally-specific and cannot be transferred.

He also argues that some aspects of production owe more to the Americans than the Japanese; that the British probably have more experience in solving problems than the Japanese (since problems are less common in the first place in Japan); and that enlightened management can bring about reform even on "brownfield" or existing sites. Nevertheless, he stresses: "Everyone now talks about quality, but the Japanese mean it. They have the control mechanisms to pursue it. They live and breathe quality."

Aside from the management approaches within the factory exemplified by Nissan, one vital element less commonly discussed is the relationship between the manufacturer and its sub-contractors. It tends to be strong, intimate, long-term and often exclusive. Nissan even provides support through what it calls "supplier development teams".

"We work with sub-contractors to improve their costs, capability and quality," says Mr Wickens. Next door to the Nissan plant stands Ikeda-Hoover, a joint venture established in 1986 which supplies seats and interior car trim. The Nissan factory represents more than 90 per cent of the company's sales.

"We operate truly synchronised just-in-time production," says Mr Stewart Lang, managing director. "We have no stock. We use the specification from Nissan to drive production: a seat will be delivered to them three-and-a-half hours after it is ordered." That places pressure on the company to ensure that its suppliers in turn follow suit. "There has to be a lot of education," he says. "When we say we need something at 4pm, we have to have it or else the customer will be making cars without seats."

He says the vast majority of the company's own 70 suppliers have responded well, and Nissan has helped by sending in its development teams to advise on impovements in areas such as quality, productivity, stock reduction and control systems.

Prof Jones estimates that the sub-contractors to Japanese manufacturing plants in the UK extend the number of companies within the sphere of influence of "Japanese" methods to perhaps 250. However, he questions whether many practices have yet extended beyond the first tier of sub-contractors to their suppliers.

"The trickle down effect takes a while," he says. He is also sceptical of the insistence on labelling much management as Japanese. "The system has become independent of its origins," he says. "But this is a new era in the industry."

Antony Thorncroft evaluates Britain's eastern art collections

Treasures from the vaults

English couple with an umbrella, 1860, one of a British Museum collection depicting westerners in Japan

WHEN, in the middle of the 19th century, Japan ended its self-imposed seclusion from the rest of the world the impact on the cultural life of the west was immediate and far ranging. European and American artists and collectors enthusiastically responded to the prints, ceramics and the decorative arts generally that were now open for inspection.

Things Japanese became all the rage, both for furnishings and as the inspiration of art. The influence of Japanese prints on the Impressionists is well recorded and the librettist W. S. Gilbert made much play with the British obsession with Japanese style.

Not surprisingly, connoisseurs amassed collections of Japanese art, mainly prints and ceramics, but also lacquer, netsuke (carved wooden or ivory toggles attaching the inro purse to the kimono), and sword fittings, like tsuba (sword hilts). And today the British Museum and the Victoria & Albert have wonderful holdings of Japanese artefacts, deposited there by benefactors over the last century.

With the Japanese business presence in the UK growing so visibly in the past two decades, both museums have constructed new galleries to show off their Japanese collections. The galleries were funded by Japanese companies and mark a profound improvement in the display of Japanese treasures in the UK, even though they are not nearly large enough to include more than a small proportion of the holdings of both museums.

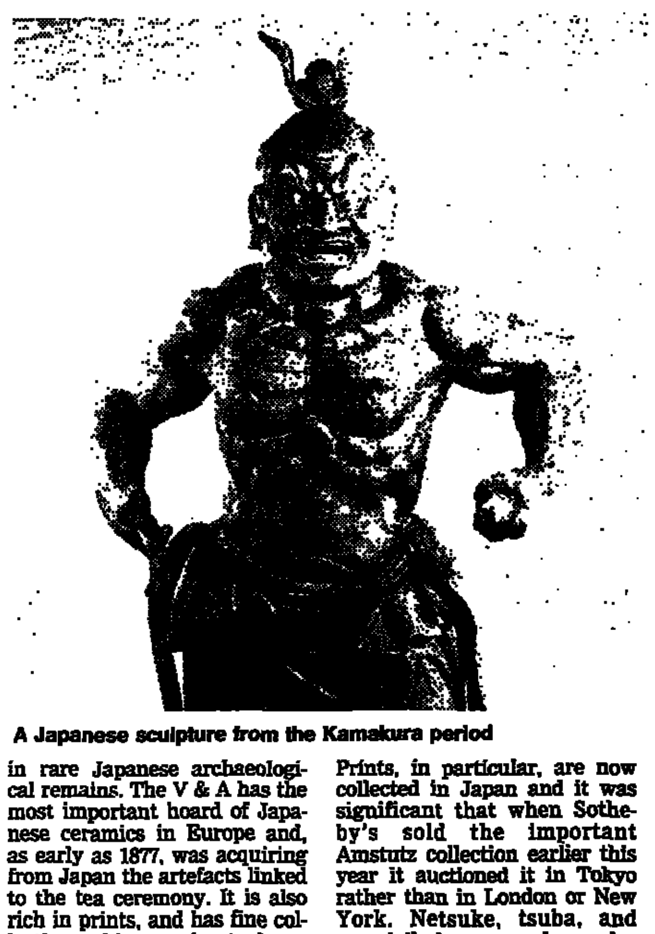
There are also fine groups of Japanese works of art in the main provincial cities – at the Ashmolean in Oxford, in Liverpool, Birmingham, even Maidstone, which is rich in ceramics. Glasgow quickly developed links with Japan and was taking students from there as early as 1866. As part of the current Japan Festival, the Kelvingrove Art Gallery is showing wood and lacquer, musical instruments and fashion accessories sent to the city in 1878 in exchange for Scottish artefacts. It is indicative of the disregard for Japanese art which embraced most of the 20th century that these objects have rarely been displayed.

But although the UK has a substantial stock of Japanese treasures it is starting to dawn on the current generation of museum specialists that the collections are not very representative and that they include few out-and-out masterpieces.

The Japanese are very jealous of their heritage and they allowed out very little of top quality. And such was the arrogance of the Victorians who first unlocked the country that they considered the Japanese art works of their own era to be of most interest, representing the peak of the Japanese artistic achievement. They happily brought back later Edo ceramics, and other examples of the decorative arts, which the Japanese considered to be in execrable taste but which they turned out as export goods for the west from the factories at Satsuma.

We now realise that the greatest Japanese treasures are the early Buddhist sculptures, the medieval scrolls, the painted screens, the early swords, the objects created for the tea ceremony, all dating from the pre-Edo period, of the 16th century and earlier. The best examples of these have always been securely locked away in Japan and, even for the current festival in the UK, few are being allowed out on temporary loan. In this respect, the Americans showed better taste, and Boston's museums in particular have good examples of medieval screens, early sculpture and ceremonial ware for tea drinking.

Still, the British Museum has an excellent stock of Japanese paintings, and not exclusively from the 19th century. In recent years it has built up an exceptional group of 20th century Japanese paintings and prints. It is also quite rich in rare Japanese archaeological remains. The V & A has the most important hoard of Japanese ceramics in Europe and, as early as 1877, was acquiring from Japan the artefacts linked to the tea ceremony. It is also rich in prints, and has fine collections of inro and netsuke.



A Japanese sculpture from the Kamakura period

The Western interest in such objects as prints and netsuke, inro and tsuba, to say nothing of 19th century Japanese ceramics, has influenced the western orientated Japanese and they are starting to buy back artefacts that a generation or more ago they would have considered to be of limited artistic consequence. Prints, in particular, are now collected in Japan and it was significant that when Sotheby's sold the important Amstutz collection earlier this year it auctioned it in Tokyo rather than in London or New York. Netsuke, tsuba, and especially lacquerwork are also attracting Japanese buyers.

The Japan Festival provides opportunities for the British to view significant Japanese works of art which have been poorly represented in the UK. Most notable is the exhibition at the British Museum of the monumental wooden sculptures of the Kamakuyra period (1185-1333), including works by Unkei, the Michelangelo of Japan. The sculptures, made to adorn Buddhist temples, are decorated with paint, gold leaf and lacquer. They are the kind of treasures from Japan so notoriously overlooked by the Victorian connoisseurs.

Of course, trade in art between the west and Japan has never been greater. In the past 10 years the Japanese have become by far the greatest collectors of Impressionist and modern art, and a Japanese collector paid the two highest prices for art at auction in 1990 when Van Gogh's portrait of Dr Gachet fetched $82.5m and a Renoir $78.1m.

In a quick cross-fertilisation the Japanese started painting in an Impressionist style around 1900 and artists such as Foujita were collected in the west. Now he is sought in his homeland as are other decorative early 20th century western artists such as Marie Laurencin and Chagall. The Japanese also buy contemporary artists such as de Kooning, but Old Masters and heavy antique European furniture and silver hold few attractions for them.

For almost a century and a half there has been an extraordinary empathy between the west and Japanese art. Not just western appreciation of prints and porcelain but in pots, with Bernard Leach learning his craft in Japan and then inspiring Japanese potters, and in designs for fabrics and textiles. In the last few years, the Japanese have been more influenced by western, in particular by American, art, not least the movies. But the Japan Festival acts as a synthesis, filling in the gaps in western knowledge of Japanese culture and underpinning the current two-way traffic in ideas and influences.

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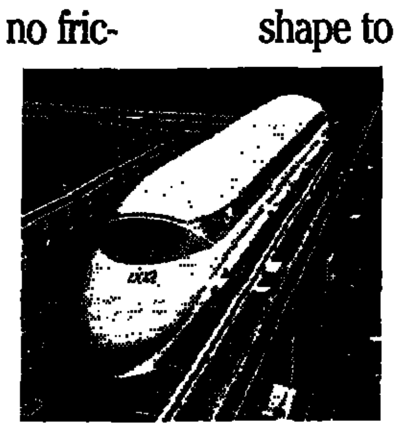

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In Touch with Tomorrow

TOSHIBA

ON THE day the Gulf War broke out earlier this year a marketing team from the Savoy Group of top London hotels flew to Tokyo to drum up new business. "We could not have picked a worse time to go given what happened afterwards," admits Mr Peter Bates, marketing director for the Savoy Group.

"But we believe it is an important market for us and I think that making such efforts in difficult times pays dividends when the going gets better," he adds.

Already there are signs that Japanese tourist arrivals are recovering after the sharp fall earlier this year. Claridges hotel in central London, part of *the Savoy Group*, says that Japanese guests have increase by 2 per cent since June. Mr William Davis, chairman of the British Tourist Authority, also says that "there are very encouraging signs that the Japanese market is recovering. By May this year the monthly outbound travel total was exceeding the 1990 equivalent."

Although Japanese tourists to the UK at present only rank 15th in the league table for incoming tourists to Britain, the BTA forecasts that they will become the second or third largest group of incoming tourists by the mid-1990s. "We have no doubts that they will become a very big market for us," says Mr Davis.

Japanese visitors at present are already high spenders. They spend an average of £75 per head, more than twice the world average and 50 per cent more than American tourists in Britain. The average spend per visit by Japanese is £488.

Travel to Britain from Japan is spread evenly throughout the year, with only slight peaks occurring in February-March and again in July to September. Package tours are predominantly the main way that Japanese tourists see Britain.

The Japanese, so British tourism officials believe, are more interested in visiting out of London places when they can link it to an English character they have studied in school. Haworth in Yorkshire is, for example, gearing itself up to capitalise on Japanese interest in all things Brontë. It has just produced an 18-page booklet in Japanese to guide visitors through the sites made familiar through the Brontë siblings' novels.

"The Brontës are big in Japan and we now get a lot of Japanese visitors at Haworth," explains Mr David Parson, countryside officer for Bradford Council. "But their information is often totally inadequate to enjoy the countryside round places like Top Withens, Penistone Crag, and Thrushcross Grange" (all remote Brontë settings.)

Literary pilgrims: Japanese visitors at Beatrix Potter's cottage in Cumbria

THE INQUIRING TOURISTS

In search of the Peter Rabbit Country

Getting Japanese visitors out of London, however, is a problem for the tourist authorities. Some 90 per cent of Japanese visitors stay only in London, partly because of their limited touring time and partly because of the lack of marketing of other tourist areas. The BTA, for example, is supporting the efforts of the Five Elegant British Cities marketing consortium – Bath, Cardiff, Chester, Edinburgh and York – to woo more Japanese visitors.

One concerted effort by the BTA over recent years has been to attract what it calls the "office ladies" from Japan - women with a high disposable income and more time than their male counterparts to spend on travel. Other target groups are about 10,000 English language students and honeymooners: some 97 per cent of all Japanese couples honeymoon overseas.

Britain, so tourist officials believe, has a strong image with Japanese who are interested in British culture and heritage. But they are also aware that Japanese visitors expect a high standard of facilities and service and appreciate dealing with Japanese speaking staff.

The Savoy Group, for example, has for the past two years arranged exchanges with reception staff from the Okura Hotel in Tokyo. And every two months the Savoy's training department holds special Japanese culture courses. Staff are told, for example, not to book Japanese clients into a room that has a "4" in its number as this is considered bad luck.

Forte hotels, the UK's largest hotel chain, has maintained a sales office in Japan for the past 18 years: it was, in fact, the first European hotel group to operate such an office in Tokyo and had an inauspicious start with just £500 worth of business in the first three months. Now the office provides significant business.

Hotels are not alone in wooing the Japanese visitors: British retail stores have also realised the potential. The Selfridges department store, for example, operates a Japan Bureau within the central London store and offers store guides in Japanese, shopping consultants, and door-to-door shipping facilities.

But encouraging Japanese tourists to come to Britain sometimes needs a novel approach. The Beatrix Potter character Peter Rabbit, for example, is proving a major attraction with the Japanese. Mr Tim Bartlett, BTA's general manager for the Asia region, says that "the Japanese have never heard of the Lake District but, as they seemed to know all about Peter Rabbit, we advertised the lakes as 'Peter Rabbit's Country'".

David Churchill

Lucia van der Post discovers what's for sale in Britain

Outposts of Tokyo chic

EVER since the first adventurers brought back tales of the wonders of the Orient, the British have been fascinated by things Eastern and different.

Now, Japan has come to the West.

Though this autumn's big festival is clearly a temporary and time-limited exercise, there are several Japanese enterprises that have been testing the water for some time and are now clearly here to stay:

Anybody who has ever been to Tokyo will remember the department stores – *for the high prices, of course, but also* for the old-world courtesy, the stunningly high quality of the displays, the food and the merchandise.

Here in Britain, some of their grandest department stores have outposts in some of London's most fashionable shopping streets – in Lower Regent Street there is Mitsukoshi, in Davies Street there is Takashimaya and half way up New Bond Street there is Isetun.

All are big names in Japan but, with their rails of Burberrys and cashmeres and their emphasis on designer label luxury goods, their London stores are aimed more at the Japanese tourist abroad than the British shopper out for for a taste of old Japan.

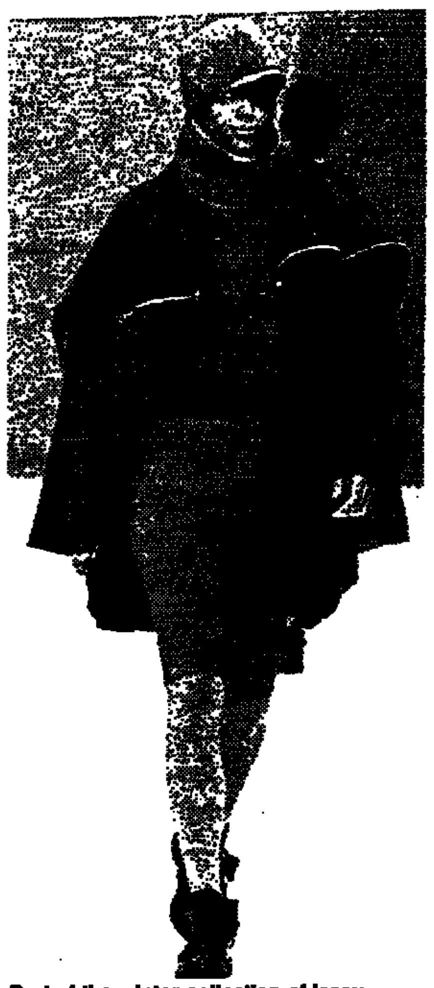
For authentic Japanese nick-nacks and inexpensive trinkets Mitsukiku has long been the place to go – for ceramic rice bowls, the traditional fish dishes, simple blue and white kimonos and happi coats, sandals and incense.

For a flavour of modern Japan and some authentic Japanese merchandise one of the best places for the keen shopper is Muji at 26 Great Marlborough Street, London W1. New on the scene but already a huge success, it offers simple, understated, unbranded goods – from vests, T-shirts and simple linen suits to filing boxes, snack foods, glasses, ceramic bowls.

For a whiff of ancient arts and crafts drop into Neal Street East, 5 Neal Street, London WC2 where there will be woven fabrics using the traditional indigo dyes and patterns and made up into kimonos, jackets and workmen's trousers.

The outstanding bookstore for those looking for current newspaper, magazines and books is Books Nippon at 64 - 66 St. Paul's Churchyard, London EC4. Even those unable to read Japanese will find some charming authentic presents – such as wrapping paper and traditional dolls, masks and fans.

Japanese food may be an acquired taste but once addicted it's a habit that's hard to break. Light, delicious and wonderfully unfattening, it's hard for the Westerner to reproduce at home but those who want to give it a whirl will need the authentic ingredients. They are available at JA Centre, 348-356 Regent's Park Road, London N3 and Yoshino, 15-16 Monkville Parade, Finchley Road, London NW11. Both sell almost everything from the sauces and flavourings to the noodles, the rice crackers, the beers and the raw fish.



Part of the winter collection of Issey Miyake, one of Japan's top designers

If you only have time to visit one place I would have to recommend Liberty of Regent Street. As befits its roots – Liberty started life with packing-cases full of Eastern goodies – it is taking the festival extremely seriously and is bringing to Britain a gaggle of names, designers and ranges never before seen over here. Apart from the fashion departments which will have Issey Miyake ranges and collections by Yuki Torii and Osamu Maede, look out for the bed linen from Al-Jabr – utterly, utterly different from anything we have here – the fascinatingly avant garde furniture from Kenji Kobayashi.

The Japanese are renowned for innovative textiles and Nuno's amazingly innovative high-tech fabrics designed by Junichi Arai are so beautiful that you will long to find ways of using them. Some can just be draped as they are, others can be made up into anything from some dashing curtains to avant garde jackets.

When it comes to fashion, Japan leads the world – labels like Issey Miyake, Yohji Yamamoto and Comme des Garçons are recognised the world-over as offering the most creative, innovative fashion vision anywhere. All are exclusive labels, all are very highly priced (any real fan who finds herself in Japan should make a point of buying there where the prices, naturally, are very much cheaper) but for your money you get what in fashion terms are almost works of art.

All have ranges for men as well as women, all have rather daunting flag-ship shops – all minimalist decor and alarmingly chic assistants; but persevere and you'll see what the labels mean.

Issey Miyake is at 270 Brompton Road, London SW3, where his men's, women's and Permanente (a sort of all time Golden Oldie range) lines are sold but a less expensive line, Plantation is to be found at 29 Smith Street, London SW3. Yohji Yamamoto is at 165 Sloane Street, and Commes des Garçons at 59 Brook Street, London W1.

Another name to look out for is Matsuda – the same emphasis on strong, sculptural shapes that make Japanese fashion so distinctive and the same interest in innovative *fabrics* make these wonderfully original clothes eminently desirable.

Now Tokio at 309 Brompton Road, London SW3 has added the Matsuda label to those of Tokio Kumagai (most famous for his shoes) and AT Atsuro Tayama. Though the image of Japan here is all exquisite taste, cultural refinement and advanced gizmos, anybody who has ever been to Tokyo and spent a Sunday morning wandering round that corner of Tokyo known as Harajuku will know that there is another side to Japan.

At Harajuku, the Sunday parade is every bit as rebellious and extraordinary as anything London's King's Road has to offer. There the rebellious young seem to join hands with their peer groups around the world and show themselves able to match the rest of the world when it comes to being outrageous.

Refined and commercialised versions of this alternative fashion have just arrived over here under the World Wide Freaks label. The brainchild of the designer Fujiko Nakajima, the clothes show the vitality and panache of a Japanese Vivien Westwood – the young should love them.

There are lots of denim jackets and bustiers, satin bomber jackets and shorts in leopard prints or shiny vinyl. For older women she also offers surprisingly ladylike jackets but all with a little something extra about them. For the moment the range can only be seen at Academy Soho, 15 Newburgh Street, London W1V 1 LF.

RECRUITMENT

JOBS: Employment statistics cast doubt on economic case for increasing graduate output

A clear case of perennial over-supply

THE Jobs column wishes it had a tenner for every pundit who has discerned in the fall of communism an inviolable law. It rules that, in the longer term, advanced societies can only destroy themselves by holding to economic formulae that fail to bring in the bacon.

What would please me even more than the tenners, however, would be wider recognition by the punditry that Britain has been doing the selfsame thing for years. The shaky formula in question, to which government and opposition parties alike subscribe, maintains that Britain's economy is in need of increased output of graduates each costing the taxpayer about £26,000.

It is a belief that conflicts with the evidence of the table alongside, which outlines what became of the 1990 and 1989 outputs of bachelor-degree graduates from the United Kingdom universities, and from the polytechnics and higher education colleges in England and Wales. The first five columns of figures lump all those types of institutions together, with the final four referring solely to the universities. The shares of the outputs taking up various activities are listed under the annual totals.

As may be seen, in 1990 the biggest share was the one denoted by the bottom line of the table, "At best short-term UK job at December 31", which includes three sets of people. The first were unemployed at that date, some six months after gaining their degree. The next were in a job expected to last no more than three months. The rest were not available for employment at all, as distinct from having returned to an organisation which had kept them on its payroll while they were studying.

The second biggest of the all-institutions categories in 1990 appears immediately under the annual total. It is "Whereabouts unknown at December 31", which covers people who by the end of the calendar year had disappeared from their Alma Mater's ken.

Where the new degree-winners went:	ALL BACHELOR-LEVEL GRADUATES 1990	% of total	1989	% of total	Change (+ or −)	UNIVERSITIES ONLY 1990	% of total	1989	% of total
Total gaining bachelor's degrees	124,229	100.0	118,535	100.0	+5,694	75,971	100.0	73,641	100.0
Whereabouts unknown at December 31	16,597	13.4	16,011	13.5	+ 586	7,801	10.3	7,736	10.5
Returned or moved overseas	9,388	7.6	8,196	6.9	+1,192	6,823	9.0	6,130	8.3
Further academic study in UK	10,196	8.2	8,974	7.6	+1,222	7,865	10.4	7,009	9.5
Teacher-training	3,970	3.2	3,749	3.2	+ 221	2,552	3.4	2,375	3.2
Other training (including legal)	8,132	6.5	7,889	6.7	+ 243	5,772	7.6	5,707	7.7
Administrative and managerial work	4,948	4.0	5,387	4.5	− 439	2,918	3.8	3,207	4.4
Research, design and development	8,512	6.9	9,054	7.6	− 542	5,056	6.7	5,388	7.3
Engineering and science support work	1,173	0.9	1,170	1.0	+ 3	691	0.9	715	1.0
Environmental planning	3,368	2.7	3,595	3.0	− 227	1,515	2.0	1,533	2.1
Buying, marketing and selling	4,089	3.3	4,847	4.1	− 758	2,413	3.2	2 906	4.0
Management services	4,050	3.3	4,527	3.8	− 477	2,427	3.2	2,806	3.8
Financial work	8,035	6.5	8,898	7.5	− 863	6,188	8.1	6,757	9.2
Information, library and legal work	1,468	1.2	1,507	1.3	− 39	945	1.2	949	1.3
Personnel and welfare services	9,594	7.7	9,467	8.0	+ 127	7,621	10.0	7,454	10.1
Teaching and lecturing	5,893	4.7	5,663	4.8	+ 230	1,339	1.8	1,222	1.7
Other kinds of work	4,510	3.6	4,497	3.8	+ 13	2,718	3.5	2,801	3.8
At best short-term UK job at Dec 31	20,306	16.3	15,104	12.7	+5,202	11,327	14.9	8,946	12.1

For universities, the ordering of the two categories was the same in 1989, although it was the reverse way round for the institutions as a whole. Either way, however, each of those two groups well outnumbered every one of the others – and that has been the case, in boom as well as slump, since the relevant statistics were first published in 1974.

Even so, the annual emergence of the evidence that graduates are in over-supply does not deter officialdom from maintaining the case for further increases in output.

The latest such exercise to hand, published 18 months ago and signed by six secretaries of state*, cites surveys of the opinions of nearly 1,700 employers in support of the forecast that in 1992 job-market demand for new degree-winners "might" be about 22 per cent above the level of 1988. In that year, the total output at bachelor-level (including the Scottish polys and colleges missing from the table) was 119,917.

Highly qualified people: supply and demand. HMSO. £6.90.

It was a convenient forecast, because the 22 per cent rise in demand for graduates happened to coincide with the rise in output thereof that higher student intakes were expected to produce. To be fair to the six ministers, it was also a forecast that they admitted recession could well prove wrong.

But the force of their argument was still that the underlying needs of the economy require more and more graduates to be supplied.

How far that claim is backed by the survey data is open to doubt. For example, employers who had lately recruited new graduates were *asked if a degree was essential in* the jobs they'd been engaged for. In two thirds of cases, the answer was no. Moreover, in two thirds of the jobs that people with degrees had taken over from people without, the work had stayed the same.

Indeed, the document's main if not only support for the claim is seemingly a simple declaration of faith: "Higher education offers most young people with the necessary abilities the best way of developing the skills which they and their future employers will need."

That may well have a hollow ring to the numerous graduates who have been thrown out of work in the recession. Now companies are cutting back on their clerical and managerial ranks, the prime question job-applicants are apt to be asked is: What can you make or sell? It is an extremely rare degree course, in Britain at least, that equips its products to do either.

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ACCOUNTANCY COLUMN

Caught in the Savings and Loans backlash

By David Waller

UK ACCOUNTANTS are demoralised. They are going through the most serious recession the profession has experienced since the Second World War and their public standing is at a low ebb in the wake of large numbers of corporate collapses, many of which exposed the limitations of accountants and accounting in a dramatic way. But they should take consolation from the fact that things are not nearly so bad as they are in North America.

A recently issued book, published in the US and entitled "The Big Six", with the menacing sub-title "The Selling Out of America's Top Accounting Firms", exposes in colourful terms the dire state of the US profession today. There have been mass sackings of US partners at KPMG Peat Marwick and the collapse of two large medium-sized firms (Laventhol & Horwath and Spicer & Oppenheim), as readers of this column will know, but the malaise goes deeper than that.

The book, by Mark Stevens, paints a lurid picture of what the blurb describes as a "scandalous diminution in professional standards, a rash of audit failures, and a decrease in the public's trust and confidence in their services".

In the UK, a total of 45 listed companies landed up in the hands of administrators, receivers or liquidators of during 1989 and 1990, among them some very large companies, such as British & Commonwealth, Coloroll and Polly Peck, and a handful of erstwhile stock-market favourites such as Sock Shop and Parkfield.

In every case, the auditors have come in for criticism, but this has been mild compared with the condemnation visited on US accountants in the wake of the Savings and Loans crisis, described here as "the gravest US economic fiasco since the great stock market collapse of 1929".

By the beginning of this year, the US government had stepped in to rescue more than 500 troubled S&Ls at a potential cost to the taxpayer of more than \$1bn. The consequence for the US firms was a welter of legislation which dwarfs the handful of lawsuits served against the UK firms; by the beginning of 1990, the US government's 12 largest claims against the Big Six claimed damages of a total of \$1.5bn.

The central thesis is that new-found commercialism has compromised big firms' professionalism to the point where they are no longer fulfilling their obligation to US society

"In case after sordid case, insolvency after insolvency, S&Ls blessed with a clean audit from the United States' premier public accounting firms have gone belly up only weeks or months after the auditors assured the world of their fiscal well-being."

Stevens writes, "Rather than acting in the legitimate capacity of trained sceptics licensed to serve as checks and balances on management assertions, all too often they simply rubber-stamped client statements, thus abrogating their duties as the public's watchdogs . . . Forget the all-too-common excuse that complex fraud committed by devious management in collusion with others is hard to detect. To people who invest in thrifts or who entrust their life savings to them, this kind of don't-blame-us-if-the-bad-guys-are-real-smart buck-passing is hardly what they have in mind when they see a Big Six signature blessing a financial statement."

The central thesis of the book is that the new-found commercialism of the big firms has compromised their professionalism to the point where they are no longer fulfilling their obligation to society – they have forgotten that they are supposed to bring the highest level of professionalism to their work in return for the right to opine on financial statements.

Chapter after chapter details what is meant by "new-found commercialism": the willingness to compromise ethical standards in pursuit of profit; a readiness to exploit other firms' professional difficulties with a client in order to secure new business; an eagerness to pitch for new business at apparently uneconomic levels.

The thesis is illustrated with two case studies, one showing the demise of a fraudulent insurance company called ZZZZ Best and the other the collapse of the Beverly Hills Savings & Loan (BHSL).

The latter owed its demise at least in part to the accounting treatment of property investments: classified as loans rather than equity, the S&L was able to recognise interest and fees as income as they fell due rather than when they were actually received in the form of cash. In fact, the loans were non-performing and the accounting treatment hastened the demise of the S&L.

In the case of ZZZZ Best, Stevens shows how the auditors were slow to exhibit scepticism in the face of growing evidence of fraud.

The arguments are similar in the UK, although the lack of any equivalent to public Congressional hearings into accountancy firms means it is exceptionally rare that evidence as graphic as that cited by Stevens sees the light of day. But industry gossip suggests the widespread prevalence of "low-balling" – excessively zealous price competition among firms – and "opinion shopping", whereby companies put pressure on their auditors by finding another firm willing to sanction a controversial accounting treatment.

The UK's accountants are proud of the skill with which they can handle conflicts of interest, but whether they can build Chinese walls in their heads is another matter

Moreover it stands to reason that auditors find it difficult to be sceptical about the very people they are desperate to sell other services to, namely the incumbent management of their clients. The UK's accountants are proud of the skill with which they can handle conflicts of interest but whether they can build Chinese walls in their heads is another matter: it stretches credulity to think that auditors can, on the one hand, treat an audit assignment as a marketing opportunity and, on the other, exercise full and rigorous impartiality in checking up on the client.

Stevens falls into the trap of applying double standards to his assessment of the firms: in his chapter on the remoulding of Deloitte, Haskins & Sells under Mike Cook, the US senior partner who was later the architect of the merger with Touche Ross, pre-1985 Deloitte is derided for its very lack of commercialism, for being old-fashioned and stuffy, whilst Cook is praised for being a "business manager in accountant's clothing" who dragged Deloitte into the twentieth century.

The commercialism the author praises here is what he condemns as the root of the profession's problems in other chapters.

Regulators of the profession in the US, as in the UK, have tended to assume that the public interest is served by opening the market in accountancy services to competition; they then condemn the firms for playing the new game with too much vigour. Perhaps the public interest would be served by placing restriction on accountancy firms' freedom to compete with one another – but then the firms would be derided for being uncommercial.

Partners in UK accountancy firms will enjoy reading this book as it paints a lurid picture of where the profession on this side of the Atlantic may be heading.

The Big Six: The Selling Out of America's Top Accounting Firms by Mark Stevens, published in the US by Simon & Schuster, \$19.95.

ACCOUNTANCY APPOINTMENTS

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The Financial Times
proposes to publish
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Please call Richard Jones on 071-873 3460

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To apply, please send CV and salary details to John Todd, **Ref: 5217/JT/FT at PA Consulting Group,**
123 Buckingham Palace Road, London, SW1W 9SR.

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Interested candidates should, in the first instance, write to Anna Ponton enclosing full career and salary details including day and home telephone numbers at the address below.

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Interested applicants should provide a comprehensive Curriculum Vitae to: Box No.A411, Financial Times, One Southwark Bridge, London SE1 9HL.

NORTH OF ENGLAND **PACKAGE c £35,000 + CAR**

Finance Director

This is a key appointment in a well-established and profitable business with turnover in excess of £10m. Part of a quoted plc, the company's engineered products lead the market and its continued success will be based upon new product and market development.

Reporting to the Managing Director, you will have responsibility for all aspects of financial management. You will join an experienced management team and will have wide-ranging involvement in the day to day and strategic management of the business. The emphasis is on teamwork and tight control. Major systems enhancements are currently being planned.

A qualified accountant, probably in your 30s, you will have managed a finance function in a medium-sized manufacturing business, preferably in the engineering sector. You will have a practical, shirt-sleeves approach to financial management, a well-developed commercial awareness and experience of implementing computerised management systems.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Deloitte Executive Resourcing Limited, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P219 on both envelope and letter.

Coopers & Lybrand Deloitte Executive Resourcing

Inchcape

Strategy & Acquisitions

Impressive Package London

This major international services and marketing group requires an outstanding strategist to identify and develop acquisitions on a worldwide basis.

THE COMPANY
- Turnover of more than £3bn; FTSE 100 Company. Operating in over 60 countries.
- Focusing on three main areas: Motors, Marketing & Distribution, and Services.
- Impressive growth continuing internationally.

THE POSITION
- Report to Main Board Director; identify and initiate new development opportunities.
- Take lead role in managing major acquisition projects; co-ordinate external advisers.
- Concentrate on international.

PROFILE
- Extensive experience of corporate strategy and M&A work at centre of major international group.
- Age mid 30's to mid 40's, very bright graduate, probably with MBA or professional qualification.
- Ideally already reporting to board level, or at Assistant Director level in merchant bank.
- Pro-active with sound commercial sense, well honed analytical skills.

Please reply in writing, enclosing full cv, Reference K3709
54 Jermyn Street, London, SW1Y 6LX

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Finance Director

Substantial Plc

c. £75,000 Base + Bonus & Options West London

Varied, demanding and rewarding position with a very high quality, growing plc, committed to the highest standards and to long-term growth.

THE COMPANY
- A very interesting and successful Group. Turnover £150 - £200m. 50% overseas.
- The Chairman and Managing Director operate from a lean head office and have built the Company steadily over the past ten years.
- *The Group has a highly ethical philosophy based on* total quality and a commitment to develop its people.

THE POSITION
- One of three Main Board Executive Directors, responsible for all aspects of financial management supported by a small head office.
- *Tasks include group consolidation, banking relationships,* treasury and company secretarial.
- A key responsibility is to maintain, by example, the company's corporate culture, work ethic and commitment to quality.

QUALIFICATIONS
- Wish to be Finance Director of a high quality, successful group, long-term
- Highest integrity, total commitment to quality. Enjoy the finance function, setting standards, and making things happen. Able to represent the company externally and willing to attend to detailed work him or herself.
- A Chartered Accountant from industry or the City, or a partner in an accounting firm. Age *open*.

Please write, enclosing full cv, Ref K3713
54 Jermyn Street, London, SW1Y 6LX

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Nuffield Hospitals

Director of Finance (Designate)

c. £50,000 + Car Surbiton

Key strategic role in a leading private hospital group committed to provision of first class service and facilities. With 32 hospitals, 3,700 employees and a turnover of £100m per annum, Nuffield Hospitals is an acknowledged leader in standards of patient care and is actively developing appropriate administrative and financial support systems.

THE POSITION
- Initially Deputy Director of Finance with a view, if successful, to succeeding present incumbent who retires at end of 1992.
- Active participation in general management, making a key contribution to the development of corporate policy and strategy.
- Responsible for all financial and management accounting and data processing through a team of 3 managers and 30 staff.

QUALIFICATIONS
- Qualified accountant, aged 38-45, with at least 10 years' post-qualification experience in a multi-unit service organisation.
- Commercial acumen honed in a forward thinking management team. Computer literate.
- Excellent manager and communicator. Credible at all levels.

Please reply in writing, enclosing full cv, Reference K3492
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Divisional Finance Director

Top Ranking British Conglomerate

c. £70,000 + Benefits South East

An exceptional opportunity for a talented financial controller to make a substantial impact on the operating performance of a major international manufacturing division of one of Britain's leading industrial conglomerates.

THE COMPANY
- Highly regarded British public company. Excellent reputation for professional management style and business performance.
- Manufacturing division with broad international coverage. Turnover £200 million.
- Commitment to strong financial discipline and profitable growth.

THE POSITION
- Responsible to Divisional Managing Director for financial strategy, controllership and information systems.
- Key role in improving operating performance.
- Strong voice in overall business strategy.

QUALIFICATIONS
- Graduate qualified accountant, probably ACMA, aged 34-42. Self starter with strong leadership qualities.
- Successful track record of financial management in an international engineering/manufacturing environment.
- Broad management information systems experience.

Please reply in writing, enclosing full cv, Reference LK3819
54 Jermyn Street, London, SW1Y 6LX

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Financial Controller

International Fragrance Group

c. £35,000 + Car North West London

This fast growing, international business, part of European group, has now reached the stage where it needs a commercially minded Accountant to set up a full service in-house finance function.

THE COMPANY
- Fragrance and cosmetic group. Three UK subsidiaries develop, manufacture and package over 350 product lines.
- Business growing rapidly. Current turnover £13m.
- Strong export business. Now poised to develop into European mainland.

THE POSITION
- Full responsibility for setting up internal finance function. Establish tight financial controls and disciplines that allow for fast growth.
- Analyse results to improve performance of business.
- Manage reporting to overseas parent company.
- Recruit and control staff. Report to M.D.

QUALIFICATIONS
- Qualified Accountant, aged 30's / 40's.
- Extensive experience of financial and management accounting in a multi-currency export environment.
- Innovative, confident and articulate. A keen lateral thinker capable of growing with the company.

Please reply in writing, enclosing full cv, Reference BK3712
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST

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Financial Controller

Major Plc

c. £35,000 + Benefits North of England

Exciting opportunity for first rate Accountant to play leading management role in the Finance Department of substantial Division of major Plc.

THE COMPANY
- Divisional turnover in excess of £500m; part of major UK Plc; excellent reputation.
- Diverse product areas: expanding and profitable.
- Substantial nationwide coverage.

THE POSITION
- Report to Finance Director: department of 100 staff.
- Primary responsibility for producing accurate financial and management reports.
- Manage day to day running of the department, including payments, payroll, internal audit.

QUALIFICATIONS
- Qualified Accountant, preferably ACA; experience of accounting in commercial environment; knowledge of computerised systems.
- Enjoyment of, and eye for detail; ability to work to tight deadlines; analytical & critical mind.
- Management experience; excellent interpersonal skills; likely age range 30–40.

Please write, enclosing full cv, Ref MK3815
Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

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FINANCIAL MANAGEMENT: RETAIL

7 Regional Locations, Age 27-33, Salary To £35,000 + Car

Our client, a major force in the food retail industry, has been reorganised, refinanced and refocused culminating in the launch of new retail brands/concepts and a proposed flotation in 1992. As a result they have identified the need to enhance their finance and regional management functions by the appointment of quality Regional Finance Managers.

These high profile roles focus upon key issues of profitability and performance, and underpin the activities of the local management team. The Regional Finance Managers will be expected to impact both the day to day running of the business and the major commercial decisions of the region.

Ideally in your late 20's or early 30's you will be a graduate, qualified accountant with proven industrial/commercial experience and will possess demonstrable management and communication skills together with strong commercial judgement. You will have to work to tight timescales, liaising literally at "shop-floor" level as well as with senior group management to provide the regions' financial infrastructure.

Interested candidates should apply to: Adrian Wheale ACMA ACIS, Wheale Thomas Hodgins PLC, 9 Unity Street, Bristol BS1 5HH.

WHEALE·THOMAS·HODGINS·PLC

Financial Controller

Herts

c.£35,000 package + benefits

Our client is the European subsidiary of a highly respected US company providing real-time market information, analysis and consulting services to the investment community.

Its continued growth and European expansion has created the need for a Financial Controller to report to the European Managing Director. Your success will be largely determined by your ability to provide a pro-active and challenging approach to the strategic management of the business, analysing key financial data to identify, recommend and initiate future company direction. You will hold full responsibility for the European management/financial accounting operations, control procedures and systems.

Candidates, probably in their early to mid thirties, must have a recognised accounting qualification followed by practical experience in analysis and strategic management within a successful, blue-chip company. You will ideally have subsequently proven your financial management skills in a smaller, successful business venture, be familiar with US reporting and international tax issues and be used to working closely with sales and marketing.

The excellent package comprises a high basic salary and a comprehensive range of benefits.

Please write in confidence, enclosing full career and salary details, stating how you meet the above requirements, to Paul Banfield, Ref: 46136, MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

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Ambitious Financial Manager

c£40,000 + Car

This client is seeking a manager from one of the Big 6 with the ambition, ability and drive to pursue a fast-track commercial career, beginning in its small, high-calibre headquarters team.

The Group is recognised as an astutely managed large plc with well-defined industrial and commercial interests and considerable financial strength. The operating businesses have a high international content and are being expanded by acquisition in addition to organic growth.

The initial role as Group Financial Analyst will carry responsibility for advising on and monitoring major capital investment proposals (acquisitions and large-scale investments) and ongoing projects from inception, through completion, to post-project appraisal. There is also a requirement to provide analysis and recommendations on, and to monitor implementation of, a wide variety of key financial issues.

The role operates alongside top management, at the centre and in the businesses, on both strategic and line issues. Applicants must therefore be outstanding graduate Chartered Accountants with a successful record up to manager level in a Big 6 firm in audit and/or corporate services. Extensive experience of using PCs for financial modelling is a prerequisite.

Location west of London. Age guide around 30.

Please apply in confidence quoting Ref. L489 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 071-240 7805

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Head of Finance and Administration

S.E. London **To £40,000 + Car and Benefits**

Our client is a large Charitable Estate which manages a portfolio of property and investments in south London, with a value of £37 million and income in excess of £3 million. Though a charitable organisation the Estate is run on commercial lines, managing the residential and commercial property and maximising investment income.

The Estate Governors are seeking to appoint a Head of Finance and Administration to join the management team, reporting to the General Manager, with responsibility for the accounting and administrative function.

This responsibility includes involvement in the operational planning processes and budgeting, the control of the financial and management reporting, the continual development of the newly installed financial and administration computer systems, assisting the General Manager in administration of Estate committees, the strategic management and monitoring of a £22 million investment fund and the supervision and control of a broad administrative function which includes personnel, premises, vehicles, insurance etc.

The ideal candidate would be a self-motivated, 35–50 years qualified accountant with at least five years financial and administrative line management experience. Experience in the property sector would be desirable but not essential and a knowledge and commitment to computers and information technology is required.

Interested candidates should send a curriculum vitae, with salary details, and quoting reference 2841/45 to:

Jonathan Wilkinson
Head of Executive Recruitment
Pannell Kerr Forster Associates
New Garden House, 78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

Financial Controller

City Solicitors

c. £40,000 + Benefits London

Key opportunity for an experienced accountant to join a well respected commercial firm.

THE FIRM

- Medium sized partnership with excellent reputation.
- Specialises in property, tax, employment law, litigation, company and commercial services and private clients.
- Determined to maintain the highest standards and improve internal systems.

THE POSITION

- Responsible for management and statutory accounting and preparation of budget through established team. Reports to Finance Partner.
- Maintain strict financial discipline. Develop effective control systems.

QUALIFICATIONS

- Qualified Accountant, aged 40-55, with experience in a professional practice, preferably legal.
- Computer literate. Propose and implement improvements for the future.
- Strong "hands on" manager who can control and motivate a team and gain credibility at all levels.

Please enclose cv with full salary details, Ref K3714
54 Jermyn Street, London, SW1Y 6LX

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IRAN

FINANCIAL CONTROLLER

A fast growing company with substantial international backing, is seeking an experienced Financial Controller to manage the total finance function, establish control systems and introduce computerised accounting, budgetary and reporting procedures.

Candidates should ideally be graduates, ACA and/or MBA qualified, with broad financial management experience gained in both trading and manufacturing environments. Fluency in Farsi and English is essential.

The position will be based in Tehran and a substantial remuneration package will be negotiated.

Interested applicants should send full career details to Box A414, Financial Times, One Southwark Bridge, London SE1 9HL.

MOORE INTERNATIONAL DIVISION EUROPE & AFRICA

COMPUTER AUDITOR INTERNATIONAL OPERATIONS

The Company: Moore Corporation - for over 100 years the acknowledged leader in business forms and systems worldwide.

The Position: To participate in systems development projects and in reviews of data centres and applications throughout the European International Division. Based in either London, Paris or The Hague, depending on the successful candidate's present country of residence. Up to 30% travel.

The Qualifications: 1-3 years full time computer auditing experience, with a related degree and.or professional qualification: knowledge of financial and EDP controls preferably in on-line systems and/or in manufacturing: initiative, self-confidence and the ability to work with limited direct supervision: fluency in French is essential.

The Rewards: Challenge, opportunity for growth and high visibility complemented by a competitive benefits package and a salary which will be commensurate with qualifications and experience.

P. Barton-Hanson
Computer Audit Manager
MOORE INTERNATIONAL DIVISION
81 Southwark Street
London SE1 0HX

Please enclose a comprehensive C.V. with salary history and contact telephone number.

SOUTH YORKSHIRE **c £40,000 + BONUS + CAR**

Finance Director

For one of the world's leading suppliers of beverage packaging and processing equipment and associated services. The company, which is also engaged in remanufacturing, has achieved rapid growth over the last 10 years and has firm plans, including diversification, for further profitable development.

As a member of a small but dynamic Board, you will have a broad span of control covering all aspects of financial management, accounting and systems development. In particular, you will be expected to play a key role in the commercial management of the business including the strategic direction and further expansion of the Company.

You will be a qualified accountant with at least five years' broad based financial experience, including multi-currency and treasury management exposure, gained at senior level in a progressive commercial organisation. A highly self motivated individual, you will possess good negotiation skills and have the ability to develop creative solutions to business problems.

Please send full personal and career details, including current remuneration level and daytime telephone number, in strict confidence to Angela McDermottroe, Coopers & Lybrand Deloitte Executive Resourcing Ltd, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference 247AM.

Coopers & Lybrand Deloitte | Executive Resourcing

Finance Director

Successful precision engineering business

East Midlands **to £35,000 + car + benefits**

This multi-site manufacturer of high-specification products to major international customers has established a unique reputation for quality and reliability.

A strongly profitable subsidiary of a dynamic Top 100 public Group, the company has invested significantly in new technology in order to enhance its competitiveness and expand into new markets. This new role will play a key part in securing bottom-line benefits from these ambitious plans.

The Role

- **Provide strong leadership to develop financial controls within a complex business.**
- **Introduce systems to upgrade the management information service to operational executives.**
- **Report to MD; support him and Board in setting and implementing strategic plans.**

The Requirement

- **Tough, experienced individual from manufacturing/engineering background.**
- **Qualified professional with sound technical and systems skills.**
- **Participative and communicative; effective team player.**

Please apply in writing enclosing full cv, quoting Ref: M629.

ASB SELECTION

Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061-834 0618. Fax: 061-832 9123.
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CHIEF ACCOUNTANT

Key Position Within A Fast Expanding Manufacturing Company

Lancashire ***to £35,000 + car + benefits***

The successful track record of this privately owned £20 million turnover manufacturing company cannot be over-emphasised. Formed in the mid 1980's by its entrepreneurial Managing Director/Chairman, its growth has been ensured by ongoing investment and the efficient production of a quality range of products. The acquisition last year of a further production site will be instrumental in ensuring that its projected production targets will be met.

The appointment of a Chief Accountant will facilitate the continued smooth running of the business and ensure that future expansion projects are the result of sound financial planning and decision making.

Reporting to the Managing Director, the post holder is likely to be a graduate with an ACA, ACCA or ACMA qualification. Most importantly you will be able to demonstrate at least three to four years impressive 'hands on' accounting skills which have been gained within the manufacturing sector. You will have had thorough exposure to a fully integrated computer business system, and you will have the ability to implement a standard costing and performance measurement system. Experience of man management would be a major advantage.

It is envisaged that the person appointed will be of the calibre to lend input at the highest managerial level. Analytical skills and financial evaluation experience are therefore qualities which will be looked for. For the right candidate, given your commitment and demonstrated ability within the role, this position could well lead ultimately to a Board appointment.

For further details, please send a full curriculum vitae to:

Judith Farmer at Stark Brooks Associates, Suite 4, 2nd Floor, St. James's Buildings, Oxford Street, Manchester M1 6FQ, or telephone her on 061-236 1212.

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Finance Manager

London W1 c. £30,000 + car

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